DOCUMENT RESUME

ED 140 786 IR 004 821

TITLE	Suggestions to Improve Management of Radio Free Europe/Radio Liberty. Report to the Congress by the Comptroller General of the United States.
INSTITUTION	Comptroller General of the U.S., Washington, D.C.
REPORT NO	ID-76-55
PUB DATE	25 Jun 76
NOTE	87p.
AVAILABLE FROM	U.S. General Accounting Office, Distribution Section, Room 4522, 441 G Street NW, Washington, D.C. 20548 (Two copies, free of charge); U.S. General Accounting Office, Distribution Section, P.O. Box 1020, Washington, D.C. 20013 (ID-76-55. June 25, 1976. $1.00 per copy. Do not send cash)
EDRS PRICE	MF-$0.83 HC-$4.67 Plus Postage.
DESCRIPTORS	*Administrative Change; *Change Strategies; Educational Radio; *Federal Programs; Foreign Policy; *Governing Boards; International Relations; Management Systems; Mass Media; News Media; *Public Affairs Education; *Radio
IDENTIFIERS	Board for International Broadcasting; Radio Free Europe; Radio Liberty

ABSTRACT

The Board for International Broadcasting, established in 1973 by Congress to oversee Radio Free Europe and Radio Liberty, has promoted changes in the Radios. Future improvements may be difficult unless the Board defines its role, clarifies its responsibilities, and establishes formal regulations to govern operational relations with the Radios. To promote economy and efficiency, a single Radio corporation should be formed, and relocating most of its activities to the United States should be considered. Radio Liberty presently broadcasts to the Soviet Union, while Radio Free Europe broadcasts to five East European countries. (Author/STS)

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REPORT TO THE CONGRESS

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

Suggestions To Improve Management Of Radio Free Europe/Radio Liberty

Board for International Broadcasting

The Board was established in 1973 to oversee Radio Free Europe/Radio Liberty. The Government-financed Radios provide an alternate service to five East European countries and the Soviet Union. The Board, operating on an informal basis, has with strong congressional mandate promoted changes in the Radios. Future improvements, however, may be difficult unless the Board defines its role, clarifies its responsibilities, and establishes formal regulations to govern operational relations with the Radios.

To promote economy and efficiency of the Radios, a single corporation should be formed for their day-to-day operations and relocating most of their activities to the United States should be considered.

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IR 004821

ID-76-55

JUNE 25, 1976

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-173239

To the President of the Senate and the
Speaker of the House of Representatives

This report describes the management of the Government-financed Radio Free Europe and Radio Liberty and suggests ways to improve Government oversight and review responsibilities of Radio operations. The report also includes recommendations for promoting economy and efficiency of the Radios.

Members of Congress have shown continued interest and support for the Radios and for the idea of free flow of information to closed societies. However, there has been congressional concern that past bureaucratic interests could hinder the mission of the Radios. Therefore, we evaluated the Board for International Broadcasting's efforts in overseeing the Radios and the Radios' progress in consolidating their activities and promoting efficiency.

Our review was made pursuant to the Budget and Accounting Act of 1921 (31 U.S.C. 53) and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of Management and Budget; Chairman, Board for International Broadcasting; and President, Radio Free Europe and Radio Liberty.

Elmer B. Staats

Comptroller General
of the United States

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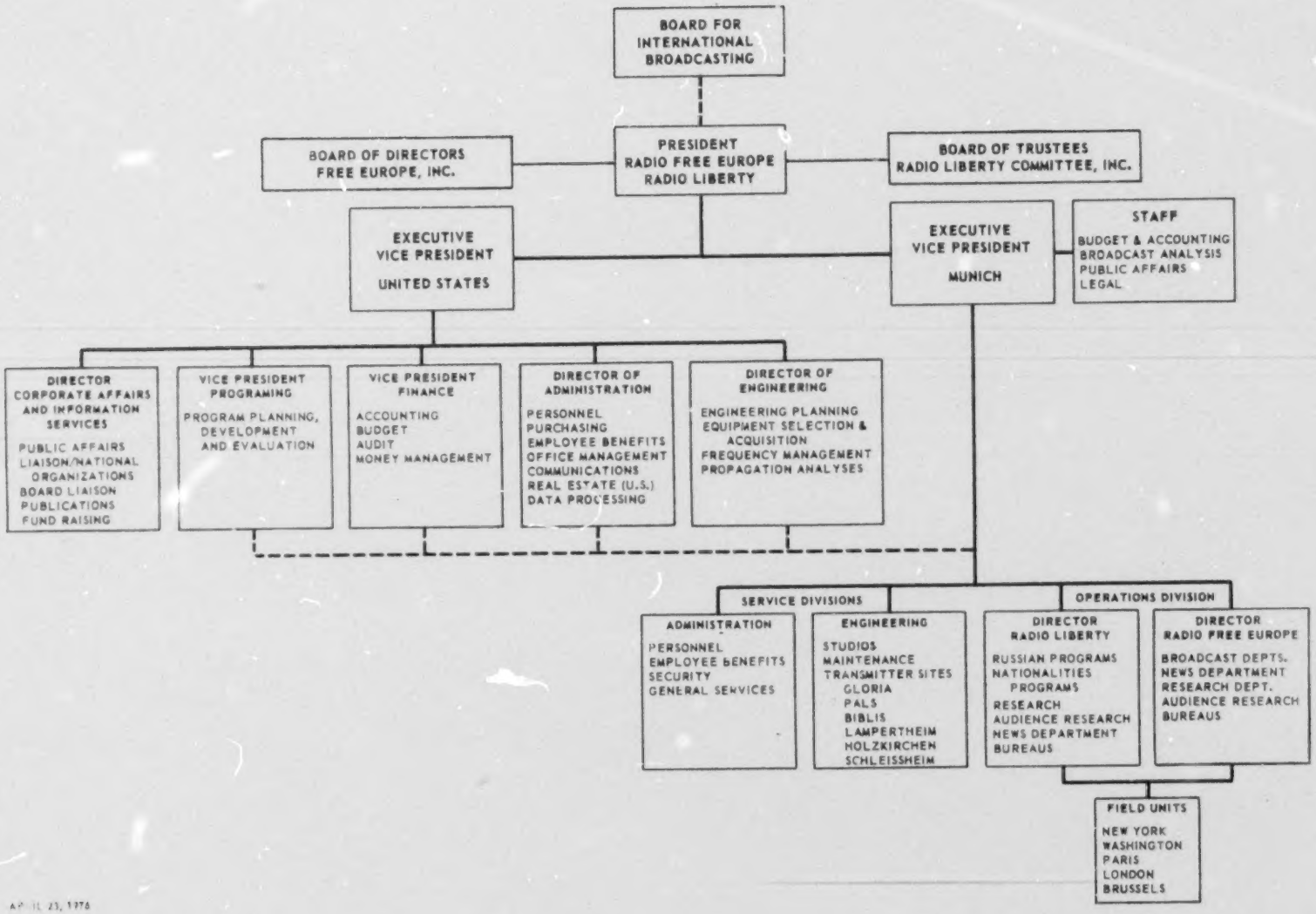
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COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

SUGGESTIONS TO IMPROVE MANAGEMENT OF RADIO FREE EUROPE/RADIO LIBERTY

Board for International
Broadcasting

D I G E S T

Radio Free Europe and Radio Liberty were organized in the early 1950s when it was perceived that the Soviet Union could threaten the independence of Western Europe. The Radios seek to provide an alternate service concentrating on news and analysis in the Soviet Union (Radio Liberty) and five East European countries (Radio Free Europe).

The Central Intelligence Agency managed and funded the Radios until June 30, 1971. The Department of State assumed limited oversight of the Radios while Congress debated their future.

Both GAO and the Presidential Commission on International Radio Broadcasting suggested consolidation of certain functions if the Congress decided to continue funding the Radios. The Congress elected to continue the Radios, but under a Board for International Broadcasting. (See p. 1.)

Oversight

The Board, using informal arrangements, initially reviewed various Radio operations and promoted a number of constructive changes, but not without difficulties. (See p. 3.)

The informal arrangement and the Board and Radios differing interpretation of their respective roles will make it difficult to implement further improvement in the Radios. (See p. 8.)

GAO recommends that the Board's Chairman:

--Define the respective roles.

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--Develop regulations for carrying out Board functions.

--Have the annual certified public accounting audit of the Radios performed for the Board.

--Make formal annual program and budget reviews of the Radios. (See p. 9.)

Reorganization and relocation

Reorganizing of the Radios and relocating most of their programing functions to the United States could result in further economy and increased efficiency. (See p. 12.)

The Radios are separate corporations under a single executive leadership but operate with dual policies and practices. GAO recommends that the Board and the Radios consider forming a new corporation to absorb the existing corporations. (See p. 14.)

Operating the Radios in Munich appears to be more costly than a U.S. location. GAO believes it would be economically and technically feasible for the Radios to perform a major part of their activities from the United States. This could result in annual savings of about $3.3 million. (See p. 14.)

The basic disadvantages cited against such a move are the loss of European flavor of programing, the impact on the listening audience, the American point of view becoming more pronounced and predominant in broadcasts, and the political and psychological drawbacks. (See p. 17.) Radio management acknowledges that potential savings are possible, but it is principally concerned with the timing of such a move. (See p. 21.)

GAO recognizes that these are real problems, but believes there are major advantages which should be given full consideration. (See p. 21.)

GAO recommends that the Board fully explore the issue and report to the Congress its recommendations along with the advantages and disadvantages of a move to the United States. (See p. 24.)

Other areas for improvement

Although the Radios have physically consolidated their locations and certain functions, they continue to operate as separate entities in developing and broadcasting program material. The Radios broadcast in 25 languages, but allocation of personnel, frequencies, and transmitter power to each language differs widely. (See p. 25.)

The Board and the Radios are studying the language priorities and appropriate broadcast priorities in program emphasis and resource allocation. Based on preliminary results, several languages are to be dropped and the programing reduced. (See p. 32.)

The Radios received funds for technical modernization during a period in which they were consolidating locations and support services. However, their combined technical requirements have not been fully addressed. (See p. 34.)

The Board and the Radios are studying the technical facilities needs and program requirements. GAO believes that studies should be interrelated and address such areas as

--number of languages and priorities,

--hours of original and repeat programing,

--interchangeability of Radio facilities, and

--sharing of facilities with the Voice of America. (See p. 37.)

Personnel compensation and benefits represent 69 percent of total Radio expenses. Personnel compensation practices in some cases are inequitable to employees, difficult to manage, outmoded, and result in some employees receiving benefits at higher levels than they would as U.S. Government employees. (See p. 39.)

Management is aware of most of the problems; however, it may be difficult to make changes necessary to correct them. Therefore, GAO recommends that the Board require the Radios to develop personnel compensation and benefits practices compatible with those of the Government. (See p. 48.)

Based in part on recommendations by GAO and the Eisenhower Commission, the Radios consolidated locations and administrative and technical support functions that resulted in annual savings of about $6 million. (See p. 51.)

Further economies are possible in such areas as consolidating newsrooms and reorganizing monitoring services. GAO recommends that the Board encourage the Radios to strongly consider further consolidation of their remaining activities. (See p. 60.)

Effects of currency fluctuation

The Radios are subject to constant currency fluctuation and have no assurance of operating at an approved program level. (See p. 61.)

GAO has suggested that the Congress establish a $5 million contingency fund that will assure the Radios of protection from currency fluctuation. The Senate and the House have passed legislation authorizing the contingency fund. (See p. 63.)

Agency comments

The Board and Radio management were receptive to GAO recommendations. Some recommendations are to be implemented as soon as feasible; for others decisions were made in principle to pursue the general thrust of the recommendations. The Board also agreed to conduct further studies of some areas, i.e., the move to the United Sates, and to report its findings and recommendations to the appropriate committees of Congress. (See p. 64.)

CHAPTER 1

INTRODUCTION

The Congress, in enacting the Board for International Broadcasting Act of 1973, declared that open communication of information and ideas among the peoples of the world contributes to international peace and stability and that the promotion of such communication is in the interest of the United States. Radio Free Europe and Radio Liberty have demonstrated their effectiveness in furthering the open communication of information and ideas in Eastern Europe and the Soviet Union.

Radio Free Europe and Radio Liberty were organized in the early 1950s at the request of U.S. Government officials when the Soviet Union established hegemony over Eastern Europe and was perceived as threatening the independence of Western Europe. Radio Liberty seeks to provide an alternate broadcasting service concentrating on news and analysis of developments in the Soviet Union, and Radio Free Europe seeks to do the same for five Eastern European countries. By providing this service, the Radios have sought both to erode the bases of international mistrust and to promote a broader and deeper international understanding.

The Central Intelligence Agency managed and funded both Radios until June 30, 1971. During a transition period of approximately 3 years, while the future of the Radios was being debated, the Congress funded them through the Department of State.

During this transition period, the Senate Foreign Relations Committee requested several studies to assist it in considering legislation to authorize public funds for the Radios. We issued a report in May 1972, "U.S. Government Monies Provided to Radio Free Europe and Radio Liberty" (B-173239), which included an analysis of public funds previously spent by the Radios and suggested consolidation of certain functions should the Congress continue funding the Radios. The Congressional Research Service of the Library of Congress also issued reports on program effectiveness of the Radios.

A Presidential Commission on International Radio Broadcasting, under the Chairmanship of Dr. Milton S. Eisenhower, evaluated the need for the Radios and examined

various alternatives for their futures, including physical consolidation. Based in part on the Commission's recommendations in February 1973, the Congress enacted the Board for International Broadcasting Act of 1973, which created the Board for International Broadcasting. The Board was established as an independent Government agency to receive appropriated funds and allocate them to the Radios. It was also assigned specific review and oversight responsibilities over Radio operations.

To fulfill their missions, the Radios maintain their corporate headquarters in Washington, D.C., and their operational headquarters in Munich, Germany. They also have transmitter sites in Playa de Pals, Spain; Gloria, Portugal; and Biblis, Lampertheim, and Holzkirchen, Germany.

From 1949 through fiscal year 1975, U.S. Government funding totaled about $653 million and net contributions from private sources about $29.9 million. In fiscal year 1976, the Congress appropriated $64.5 million for the Radios and the Board. The Radios expect to have a staff of 1,786 by June 30, 1976.

SCOPE OF REVIEW

We reviewed the status of the Radios' (1) consolidation program, (2) personnel compensation, benefits and allowances, (3) modernization of technical facilities, (4) programing activities, and (5) relationship with the Board. We did our work at Radio offices in Washington, New York, and Munich, and at the Board offices in Washington.

We interviewed various Board staff, Radio management and operating personnel, and union representatives. Board and Radio managements provided us with coordinated comments which are included as appendix I. A number of informal comments from Board members and staff and from Radio management were also considered in final preparation of this report.

CHAPTER 2

BOARD FOR INTERNATIONAL BROADCASTING NEEDS TO CLARIFY ITS ROLE

The Board for International Broadcasting needs to clearly define its role and its method of exercising oversight responsibilities for Radio Free Europe and Radio Liberty. A basic difference exists between the Board and the Radios over the interpretation of the Board's authority, functions, and responsibilities as set forth in the Board for International Broadcasting Act of 1973. The Radios view their operations as those of "private corporations," independent from outside participation, whereas the Board views itself "as the higher authority whose decisions the Radios will implement."

BOARD FOR INTERNATIONAL BROADCASTING ACT OF 1973

The Board for International Broadcasting Act of 1973, as amended, established a seven member Board, including as an ex officio, nonvoting members the chief operating executives of Radio Free Europe and Radio Liberty.1/ The act authorized the Board to, among other things, (1) make grants to the Radios and oversee their operations, (2) review and evaluate the Radios operations to assure proper accountability of public funds and their application "in a manner not inconsistent with the broad foreign policy objectives of the United States Government," and (3) develop policies, procedures, and regulations to carry out its functions.

The Board established subcommittees and employed several consultants to review various Radio operations and was able to promote a number of constructive changes. It initially operated informally through Board meetings and frequent discussions with Radio management, so it did not put in writing many of its views or recommendations. For areas the Board considered as priorities, it passed formal resolutions, made minutes of Board meetings, and provided Radio management with consultant, staff, and member reports. The only formal document between the Board and the Radios is the annual grant agreement which provides some general guidance to govern their relationship.

1/ On July 1, 1975, the Radios jointly appointed a single president.

We observed that the Board had yet to establish formal written regulations to:

--Define its role.

--Establish the mechanism to implement its recommendations for improvement or necessary changes in Radio operations.

--Guide the Radios on what is expected in programing and operation.

--Specify the type of informational feedback desired.

--Guide the Radios on keeping the Board advised of management decisions.

Although the informal arrangement served its purpose, we perceived a difference in opinion about the relationship between the Board and Radio management.

PERCEPTION OF BOARD AND MANAGEMENT ROLES

In November 1975, we asked the Board and the Radios' president and corporate chairmen for their perceptions of their respective roles. Their views on key functions are discussed below.

Overall role

The Radios' corporate management believes that "the Congress has wisely drawn a line between the Board's oversight role designed to assure accountability for the Radios' operation and expenditure of public funds, and the essential prerogatives of the Radios' corporate management upon which their legally mandated professional integrity and independence is based." Management further believes that the act "contains no stipulation which could be construed as authorizing the Board to participate in, or supplant, the corporate management of the stations" nor authority for the Board to "enforce any specific operational or other policies-except by Congressional action on the basis of the Board's evaluation and reporting."

The Board perceived its role in two ways. As a granting agency, it believes it has the authority to set

reporting requirements and standards and to review performance in the manner of other Federal granting agencies. Thus, the Board believes that "full disclosure on the part of the Radio management" is essential and that it is entitled to unrestricted access to Radio records and staff. The Board further believes that, because of the Board's small staff, "it should be the responsibility of the Radio management to provide--regularly, automatically and promptly --the basic materials needed for the Board to perform its oversight function."

As an oversight agency, the Board believes the law confers specific responsibility for it to (1) assess program quality and effectiveness, including consistency with broad U.S. foreign policy objectives, and (2) make the operations as efficient and economical as possible. To define its role, the Board quoted from a hearing before a congressional committee on establishing the Board.

> "Dr. Eisenhower's definitive testimony thus contains both the assumption of full disclosure on the part of the Radio management to the Board, and the assumption that the Board is the higher authority whose decisions management will faithfully implement. It seems to us that both these principles should be firmly anchored in a comprehensive grant agreement between the Board and Radio Management."

Programing

The Board acknowledges that normally it should not be involved in daily program operations which are the Radios' responsibilities but that it is required by law to review and evaluate broadcast quality and effectiveness. The Board believes it (1) "should have the authority to prescribe personnel and/or organizational changes when, in its opinion, the purposes of the Act have been violated," (2) "bears the ultimate responsibility for the basic program structure--the languages broadcast, the hours devoted to each, and such basic program categories as the relation of news to commentary", and (3) "in close consultation with the Department of State, also clearly bears the responsibility for the policy guidelines governing the radios."

Corporate management believes that it "is responsible for the formulation and implementation of programming policies, including determination of program categories or formats and the amount of time devoted to each language

or program category." The corporate management also believes that when its "studies or determinations in the area of programming policy indicate additional funding requirements or involve major changes in budgetary allocations, we will consult with the Board." At this point, management believes, "that the Board 'oversight' role translates into participation in the decisions to be made, on the basis of a judgment on priorities in accordance with the intentions of the Act and on the basis of available funding."

Management acknowledges the Board's right to review and evaluate but does not believe the review procedures clause was intended to jeopardize the Radios' independence from Government control over program content. It believes the Board should be consulted on major policy changes and that weight should be given to the expertise of its members and staff.

Financial policies

The Board believes that implementing its oversight responsibilities "requires intimate day-to-day knowledge and active involvement, through full disclosure and staff participation in the decision-making process with regard to all substantial expenditures * * * financial commitment exceeding $100,000." Further, the Board believes it "must enjoy the undisputed authority to review the [budget] request as a whole, make its independent judgment on line items, and prescribe increases or decreases before the initial request is submitted to the Office of Management and Budget." The Board believes it "should have the authority to direct, approve or disapprove reallocation of funds."

Corporate management believes that since financial policy, once the Radios and the Board have determined the optimum level of funding, "is one of our key tools for managing the Radios, it must, in general, be the prerogative of management to develop and carry out this policy." Management further believes that the "annual budget proposals (which are a financial expression of our Programming Policy) should be initiated by the Radios" and that "application of the Board cuts in budget proposals, if any, should be left to the Radios." Management also believes that its function is to carry out the approved budget and that "major deviations from the budget plan may require specific approval of the Board or other units of government."

The corporate management acknowledges the Board's right to review and audit financial records.

Negotiations with foreign governments

Radio management points out that, "historically, negotiations with foreign governments have involved appropriate consultation with the Department of State." Management noted that present negotiations "in which [it is] primarily responsible * * * receives assistance from the Board and the U.S. Government where their influence can be helpful * * * seems * * * satisfactory."

Management believes that the legislation establishing the Board "contains no reference whatever to this area or the Board's role in it, thus in effect inferring continued responsibility of the corporations." Management believes that this is the best way because adding another party to the procedures would only further complicate negotiations.

The Board believes that it is "self-evident that, as the sole Government agency involved, the Board has primary jurisdiction over relations with other governmental bodies", including foreign governments. In dealing with foreign governments, the Board believes it "must cooperate intensively with the Department of State."

Because of the nature of the prior sponsor's mission, the Government did not openly handle the negotations. However, the negotiations were conducted under the prior sponsor guidance.

CONGRESSIONAL INTENT

Although both Radios were established as private, nonprofit corporations, they were established at the request of and with the backing of U.S. Government officials. The Government provided most of their financial support through the Central Intelligence Agency, which until the legislative crisis in 1971 actively participated in Radio management.

During the legislative crisis, the Department of State assumed limited oversight of the Radios. While the Radios were under State, the Eisenhower Commission studied them, concluded that they should continue, and recommended that an independent agency be established to oversee them. Before a congressional committee, Dr. Eisenhower gave the following rationale for making the two corporate presidents ex officio, nonvoting members of the new Board.

"* * *the reasons for their presence being we would not want the board to operate without the most intimate day-by-day knowledge, or whenever they met, of what is actually going on. Further by having the two chief executives meeting with as members, nonvoting members, of the board they will understand the policies of that board and therefore faithfully carry them out."

The House International Relations Committee report on the fiscal year 1976 authorization reiterated congressional intent that the Board:

--Shall have full and unimpeded access to information on the Radios.

--Will foster the consolidation of the Radios.

--Will promote the reduction of the personnel base to a stable and fundable level which will avoid future financial crises.

--Will be an active oversight board.

The report futher reiterated that the:

--Corporate leadership will communicate to the rank and file the need for acceptance, in practice and in spirit, of the process of authorization, appropriation, and oversight.

--Chief executive officer of the Radios must have full corporate authority as the Radios mission is too important to be hindered by past bureaucratic interest.

--Effectiveness and quality of the broadcasts will be maximized if improved efficiencies are sought and instituted.

As a final comment the Committee noted that "if necessary, the Board's authority to investigate, advise, and implement its recommendations will be strengthened by legislation." (Underscoring supplied.)

CONCLUSIONS

We believe that the Board for International Broadcasting Act, the legislative intent in establishing the

Board, and the subsequent expression of intent are sufficiently clear to establish the basic premises that (1) the Board is to be an active oversight agency with power to review, evaluate, and implement (by direction) changes to promote Radio economy and efficiency, (2) Radio management is responsible for the day-to-day operation of the Radios, and (3) the Board is to develop policy, procedures, and regulations to assure that public funds are properly accounted for and applied "in a manner not inconsistent with the broad foreign policy objectives of the United States Government."

We believe the Board should define these respective roles and develop policy and procedures necessary to exercise its oversight responsibilities. The Radios will be facing crucial issues in the months ahead that will require strong Board oversight--further consolidation of functions, new corporate structure, alternate locations for transmitting facilities, possible return of some part of the operations to the United States, personnel compensation and benefits, and reevaluation of language and program requirements.

We recognize that there was some concern when the act was passed as to whether the Board and its small staff would be able to handle the oversight functions envisioned by the act. While there may be a need to increase the Board's staff to fully carry out the functions, we believe that, if an increase is necessary, it should be consistent with the Board's definition of its role and establishment of policy and regulations necessary to carry out the oversight functions.

RECOMMENDATIONS

We recommend that the Chairman of the Board for International Broadcasting develop (1) a definitive, basic agreement defining the roles of Board members and staff and Radio corporate boards, corporate leaders, and management in carrying out the declaration of purposes of the Board for International Broadcasting Act of 1973, and (2) regulations to govern the implementation of Board functions.

We also recommend the following procedures to increase Board oversight.

--Future annual Radio audits by a certified public accounting firm, if deemed desirable, should be contracted for and reported to the Board. The Board should also use the firm as

its internal auditor to test Radio internal controls and public funds accountability.

--Annual budget reviews should be held, during which all Board members would have opportunities to question Radio management regarding the allocation of funds. In this way, Board members would be in a position to make independent judgments of Radio budget requests.

--Annual program reviews should be held, during which all Board members would have opportunities to question Radio management regarding language priorities, allocation of time to each language and program category, and program materials. In addition, this should provide Board members with opportunities to assess Radio programing in terms of effectiveness of the stated broad U.S. foreign policy objectives.

We suggest that, to improve communication and understanding, the president of the Radios, in consultation with the Board, consider including Board representation on the corporate boards.

AGENCY COMMENTS

The Board adopted in April 1976 some new procedures designed to improve communication among Board members, Board staff, Radio management, corporate boards, and Radio staff. The Board believes that, after all concerned parties have had a chance to evaluate the new procedures, more detailed regulations can be formulated. The Board plans to review the new procedures and the question of further regulations at its meeting scheduled for June.

We believe that sufficient time has passed since the formation of the Board to observe the working of informal agreements. Therefore, to avoid future misunderstandings, formal regulations should be prepared which will bolster and improve communication and cooperation. We believe that delays in establishing clear lines of responsibility, interest, and authority can only lead to confusion and broaden the communication gap.

The Board has approved the contracting for a certified public accounting firm to conduct future annual audits and

to design a financial management system for the Radios. The Board believes that this action will lead to unification of incompatible administrative practices.

The Board approved in principle our recommendation to hold annual program and budget reviews. The Board plans at the next meeting to begin developing plans to conduct the annual review.

There is some reservation on the part of the corporate boards in implementing our proposal to have Board representation on the corporate board as it was felt this may be an infringement on the sovereignty of the corporate boards. However, the chairmen of the respective corporate boards will discuss with their boards the proposal that the Chairman and Executive Director of the Board for International Broadcasting be invited to attend corporate board meetings.

The chairmen plans, if accepted, would meet the intent of our proposal.

CHAPTER 3

PROS AND CONS FOR REORGANIZING THE RADIOS

The Board for International Broadcasting can lead Radio Free Europe and Radio Liberty into a reorganization which can result in further economy and increased efficiency. A first step would be to place the Radios under a single corporation. At the same time, further consolidation and streamlining of the organization could be actively pursued. (See ch. 7.) Much of the resulting programing and administrative activities could ultimately be moved from their present Munich location to the United States. However, the political problems and psychological impact of such a move will have to be fully evaluated. The effect of such a move may be minimized by the retention in Europe of a small programing unit, news bureaus, and technical facilities.

OPTION ACCEPTED FOR CONSOLIDATION HAS HAMPERED ORGANIZATIONAL CHANGES

Consolidation of Radio operations has been limited to combining support units such as personnel, accounting, and general and technical services. The option chosen by prior Radio management for effecting this consolidation entailed creating new units composed proportionately of personnel from each organization, with such personnel retaining their status within their respective organizations.

The reason for this choice, as explained by Radio management, was that it could be implemented with the least legal difficulty and labor interference, thus avoiding high and unpredictable separation costs. In addition, the choice was believed to be the most equitable for employees.

We believe the choice has hampered present management in instituting organizational changes and economies because the employees believe that (1) the Radios will maintain their separate identities and corporate structures, (2) consolidations will be limited to support elements, and (3) staff reductions will be applied on a strictly defined ratio between Radios. The latter could be critical to the merging of operating groups. For example, it may be more effective and efficient, in terms of performance, to retain most of one operating group's staff while reducing disproportionately the staff of the other group.

The option chosen for consolidation, therefore, virtually negates any discussion of merging operating groups. The suggestion of reorganizing any group for effectiveness and efficiency along lines which would favor the staff of one radio over another is met with strong criticism. Any merging of groups is further hampered by legal and trade unions limitations in Germany.

Several other complications are associated with retaining Free Europe, Inc., and Radio Liberty Committee, Inc., the parent corporations of the Radios.

--There are two different corporate boards, but one single slate of elected executive officers.

--Organizational components serve both corporations but for fiscal purposes are identified with only one corporation.

--It would be more difficult to initiate and implement changes in personnel and administrative practices.

--The merging of functional groups is strongly resisted by operative personnel because of the retention of the separate entities and images of the Radios.

The complications or problems could be reduced or eliminated by forming a new corporation to absorb the existing corporations. Also, a legal merger is a logical consequence of consolidation and employees and the general public should find it less confusing. The two separate Federal grants would not be necessary and the Radios could more readily achieve uniform salary scales, fringe benefits, and working conditions. Further, renegotiating licenses to include both Radios may be more acceptable to countries in which the stations have transmitter facilities.

We were told by the Radios' European legal counsel there would be no legal impediment to instituting a new corporate structure to absorb the two existing corporations or to one existing corporation absorbing the other. The two corporations could thereby remain dormant. Such a corporate change could provide for further changes in Radio operations without a loss of separate broadcasting identity. The counsel believed that, legally, licenses would not have to be renegotiated if technical facilities remained separate.

CONCLUSION AND RECOMMENDATION

Further consolidation and greater administrative efficiency and effectiveness of the Radios would be enhanced by the existence of a single corporate structure.

Therefore, we recommend that the Board for International Broadcasting undertake with Radio Free Europe and Radio Liberty managements and their corporate board chairmen plans to establish a new corporation, with a single board of directors, to absorb Free Europe, Inc., and Radio Liberty Committee, Inc.

AGENCY COMMENTS

The Board at its meeting in April 1976 approved in principle the objective of establishing a single corporation, with a single corporate board to absorb Free Europe, Inc., and Radio Liberty Committee, Inc. Radio management presented to the Board tentative plans for accomplishing the objective. Details for establishing the single corporation remain to be finalized. However, it is expected that the corporation can be formed before the end of fiscal year 1976.

We believe that, until plans are finalized and implemented, maintaining two separate corporations will hinder Radio management in eliminating past bureaucratic problems that impede efficiency and effectiveness.

PROS AND CONS FOR LOCATING PART OF THE RADIOS' ACTIVITIES IN THE UNITED STATES

From a cost factor, operating the Radios from their Munich location appears to be more costly than it would be to operate part of their activities from the United States. This is due principally to personnel costs associated with overseas locations, including favorable dollar conversion privileges, cost of living allowances, home leave and relocation expenses, and dependent education allowances.

An internal analysis made in 1974 of Radio Liberty personnel costs concluded that headquarters' scale employees cost 51 percent more and local scale employees cost 39 percent more in Munich than in New York.

Relocation is technically feasible

According to a January 1976 study by the Radios, moving a major portion of Radio operations to the United States is technically feasible. The study visualized that most of the Munich operation would be reestablished at some point on the U.S. eastern coast and assumed that transmitting stations in Spain, Portugal, and Germany; technical monitoring stations; certain news bureaus; audience research; and a small administration section would remain in Europe. Furthermore, all programing would remain the same but would originate in the United States and be relayed by satellite circuits to the transmitting stations in Europe. The monitoring output of Soviet and Eastern European radios would be transmitted to the United States over commercial circuits, as would program material from the news bureaus.

Potential annual savings

We have estimated that relocating most Radio programing and administrative operations to the United States would save $3.3 million annually. Our computations were based on the same assumptions as those of a technical feasibility study made by the Radios. We also used personnel strength and cost data projected as of July 1, 1976. These projected annual savings could increase or decrease, depending on many factors we were not able to consider in our analysis, such as

--future structure of the programing operations and personnel requirements;

--salary rate for similar positions in the United States; and

--effect on current costs for travel, home leave, relocation, medical dispensary, dining facilities, Christmas bonuses, foreign currency purchases, and German social security and payroll taxes.

Table 1 summarizes the elements included in our analysis.

Table 1

	Annual dollar savings (note a) (millions)
Favorable conversion privileges	$2.2
Cost of living allowances	.9
Housing costs and allowances	2.2
Dependent education allowances	.2
Reductions and additions of personnel in administrative, technical, and general services areas (note b)	1.0
Engineering operations (note c)	-2.3
Office and studio facilities in the United States (note d)	-0.9
Net annual savings	$3.3

a/ All figures calculated at $1 = 2.60 marks.

b/ Based on projections of support personnel required for proposed relocated operation.

c/ Obtained from the Radios' technical feasibility study.

d/ Obtained from Radio management.

In addition to balance-of-payment benefits, we have estimated that about $1 million in U.S. income tax revenues would be generated from personnel to be located in the United States. There are also the inherent economic benefits associated with the introduction of a major concern into any geographical area.

One-time costs

One-time costs associated with relocating most of the Radio operations to the United States are categorized into three major areas: (1) terminating employees whose

services would no longer be required or who would not make the move, (2) moving personnel from Europe to the United States, and (3) the engineering changeover associated with originating programs from the United States. From studies and data provided by Radio engineering and administration departments, we estimated termination costs at $8.4 million, movement costs at $6.6 million, employee relocation costs at $1 million, and engineering changeover costs at $1.2 million, for a total of $17.2 million.

Any significant staff reduction (50 employees or more) or elimination of specific units requires, under German law, agreement between Radio management and unions on a specific termination plan. Radio management estimated that the additional costs would be 40 percent over normal termination for costs to cover retraining and other benefits which would have to be negotiated. Our termination estimates do not include these costs. However, farsighted management policies and practices, including inducements for early retirement, short-term contracts for new employees, and disclosure to new employees that relocation to the United States was intended, could significantly lower any termination costs.

An offset to the one-time costs could be realized from the sale of the Radios' building in Munich. It is estimated that this would amount to $3 million. We believe that the net $14.2 million one-time nonrecurring costs could be recovered within 5 years from the potential annual dollar savings associated with relocation.

Effect on technical and operational elements

The subject of relocating a major part of Radio operations to the United States is highly emotional and evokes strong reactions from many European employees. Through discussions with various levels of management and operating personnel and review of documents available on the subject, we obtained opinions on other advantages and disadvantages associated with such a move.

Technical services

According to the Radios' technical study, the move could result in additional efficiencies and economies. It was noted that considerable advances in the development of automated broadcasting equipment systems have been made

in the United States. It was further noted that the systems should be carefully studied and the one best suited to the needs of the Radios selected. Program production and broadcasting methods would then be adapted to the selected system in order to use its capabilities to the fullest with a corresponding reduction in operating personnel.

News department

At Radio Liberty, 29 minutes of each broadcast hour are in the Russian language, devoted to newscasts and news features. Radio Free Europe devotes about 30 percent of its original programing to news reporting. We were advised that the news function could operate from the United States and "still retain a large part of its present effectiveness."

We were further advised that steps would have to be taken to secure the present services of the international news agencies that are directed toward European subscribers. It was believed that if the Radios were to operate from international news agencies that are directed toward American subscribers, a great deal of news material of direct interest to the European listeners might be lost.

The feature program operation that feeds Radio Free Europe program writers could be transferred to the United States. The Radio would need to secure access to the broad range of European publications presently represented in the feature file or the stations would lose track of European developments of major interest to East European listeners.

Programing

Various general arguments against the move are as follows.

--Domestic or domestic-related emphasis of Radio broadcasts could not be achieved by a U.S.-based operation. One reason cited for this was the acculturation demand that would be placed on the staff to assimilate into U.S. society. Once they were assimilated, the intensity of concern for the people and activities of the listening audience would diminish and broadcasts could take on a North American or U.S. tone alien to the audience.

--Informal contact among residents of the Soviet Union and East European countries and Radio employees, which contributes to programing, would suffer, further diminishing the knowledge of the interest and concerns of target countries residents.

--Time necessary for much of the Western European and target area source material used to reach a U.S. location would inevitably cause some loss in immediacy, which would affect both broadcasting and research.

--Inability or unwillingness of some key personnel to move to the United States is seen as detrimental to Radio operations. For example, a few employees were once members of the Communist Party in the Soviet Union and some have either become German citizens or have German stateless categories and are entrenched in the German social security and health insurance systems.

--A labor pool in the United States from which suitable staff members could be recruited might be unavailable. This concern stems from current difficulties in recruiting staff members under the present system and the fear that it would be even more difficult to find individuals in the United States.

On the positive side, it was believed that the move might reduce a number of areas in which efficiency is hampered by the legal and trade union limitations in Germany, including the

--relatively low output of program editors;

--duplication of technicians and producers in studios;

--elimination of certain positions and underpar staff members; and

--replacement of present job descriptions which, by giving greater flexibility, would improve productivity.

Another argument in favor of the move relates to the future organizational structure of the Radios. It was recommended that, before deciding whether to move, an ideal organization be drawn up using the accumulated experience of Radio personnel. A new structure could lead to increased efficiency, economy, and effectiveness in broadcasting.

Research

The research and analysis divisions would also relocate if the programing function were transferred. Primary concerns against a move were that the Radios would become "North-Americanized," "alien" in tone, vocabulary, and character to their audiences. Another concern is possible delay in receiving analytical input from European press and other publications.

Monitoring

Radio officials believe a factor in carrying out the Radios' missions lies in their monitoring of broadcasts of target countries. Many Radio officials believe that timely receipt of information derived from this source is important for effective broadcasts to target audiences.

As discussed in chapter 7, we found that limited use is made of monitoring output, which raises the question of the need to continue the monitoring operation at its present level. According to one Radio official, reduced radio monitoring output could be edited and the more important information electronically transmitted to the United States.

Management views

We discussed the move to the United States with the management of the Radios. One top executive favored the move, indicating that top management would have better control over the operations, (currently, top management is located in Washington, D.C.), the Congress would have a better understanding of the role and mission of the Radios, and the Board for International Broadcasting could more easily perform its oversight duties.

Radio management must make definite staff plans, because key programing and operational employees' average age is 50, and within 10 years many of them will have retired, leaving a void of experienced talent.

A top Radio official recently pointed out that "the benefits of the Munich atmosphere--a close emigrant community concentrating on issues in their homeland and located not too far from East European borders--must be measured against cost savings in the United States and a gain in perspective."

Radio management believes a transfer of operations to the United States must be seen as a radical step--one which can not be contemplated until the new corporate structure has been established and the merging of previously agreed upon units of the Radio completed and working smoothly. Radio management believes that the end product required of the Radios must be determined before the decision on the location from which the end product can be delivered in the most cost-effective fashion can be made.

Radio management recognizes that relocation offers potential savings, the possibility of a more efficient, and modern broadcasting institution, and an opportunity to redesign stations which would avoid some of the archaic ingrained practices which hamper present operations. Management's basic objection to the proposal is the timing.

Timeliness of source material in United States

A primary argument against moving the Radios is the possible delay and nonaccessibility of source material. Therefore, we asked the broadcast analysis department for data on source material of original broadcasts. Our request included information on Radio Free Europe programs only, since data for Radio Liberty is more difficult to obtain. It appears, however, that the result of our analysis could also apply to Radio Liberty as the sources of material are similar.

A review of the data for the week of January 12 to 18, 1976 (a typical week's programing, according to an official), indicates that about 90 percent of the source material used in Radio Free Europe's original programing is readily available or could be received with a maximum delay of 3 days in the United States. (See table 2.)

Table 2

Source material	Bulgaria	Czecho-slovakia	Hungary	Poland	Romania	Total
	Percent					
Readily available in United States:						
West European source (note a)	5.0	9.0	7.5	10.5	9.0	8.5
U.S. sources	15.0	8.5	6.0	5.5	8.5	8.0
International wire services	52.0	61.5	56.0	59.5	58.0	58.0
Other	5.5	2.5	3.5	7.0	5.0	4.5
	77.5	81.5	73.0	82.5	80.5	79.0
Maximum delay of 3 days:						
West European press (note b)	9.0	12.0	13.5	6.5	10.5	10.5
Other	0.5	1.0	1.5	3.5	2.0	1.5
	9.5	13.0	15.0	10.0	12.5	12.0
Considerable delay or not available:						
East European press	4.0	2.0	3.0	4.5	0.5	3.0
Research	3.0	2.5	5.0	1.5	5.0	3.5
Personal contacts	6.0	1.0	4.0	1.5	1.5	2.5
	13.0	5.5	12.0	7.5	7.0	9.0
Total (note c)	100.0	100.0	100.0	100.0	100.0	100.0

a/ Includes the Radios' European news bureaus, correspondents, free-lance correspondents, and intercept radio monitoring.

b/ Broadcast analysis director said a delay of 1 to 3 days in receipt of West European press could adversely effect programing content. Such an effect could be diminished by timely transmission of the more important items and by more reliance on the Radios' European news sources.

c/ Does not include music, religious, and sports programs and program previews.

The review covered the original programing of Radio Free Europe's five broadcasting departments--international and domestic news and political, economic, scientific, cultural and social matters.

Internal review of feasibility of move

The president of the Radios initiated an internal study on January 9, 1976, on the feasibility of relocation. The memorandum for the outline of the review noted the possibility that a move could open up prospects for reorganization and reorientation which might otherwise be postponed indefinitely. The memorandum also noted that.

> "* * *The occasion of a major move could provide the opportunity to review and re-draft job descriptions, work assignments, and shift work requirements to mention a few of those key elements which have often seemed to make it more difficult to get things done as they should be done. And, if a large number of older employees chose not to relocate, the door might be opened to significant staff rejuvenation."

CONCLUSIONS

The primary disadvantages cited by some Radio officials who are against moving to the United States are real problems that we could not evaluate. The concept of moving to the United States is a highly emotional one, especially for employees who have lived and worked most of their lives in Europe. Personal feelings and professional views of many employees make it difficult for them to objectively analyze the relative merits and disadvantages of relocation. The programer's could lose touch with their audiences, and the European flavor of programing content could be reduced. The American point of view probably would be more pronounced and predominant in broadcasts. It is difficult, if not impossible, to reconcile these ideals or to measure the final outcome a move to the United States would have on program content.

On the other hand, there are no major technical obstacles and substantial cost savings and increased efficiency would accompany such a move. It could provide a unique opportunity to rejuvenate the staff as well as to to restructure the organizations.

RECOMMENDATION

We recommend that the Board for International Broadcasting report to the appropriate committees of Congress the results of the Radios' study and the Board's recommendation on the advantages and disadvantages of a move to the United States.

We believe that the Congress should have the full views of Radio management and of the Board for International Broadcasting in arriving at its decision on the matter.

AGENCY COMMENTS

The Board and Radio management feel that the question of transferring major program operations to the United States is far reaching. They believe that there are other factors to consider, such as political and psychological aspects of a transfer from Munich; employee morale; and the possible effect on the Federal Republic of Germany, since a move would reinforce the image of a U.S. withdrawal to "fortress America." Therefore, before taking any action, the Board and Radio management in April 1976 decided to further study the question along two lines.

Operationally, Radio management will pursue its current study of three possible variants

1. Transfer of major program headquarters to the United States, with satellite program centers in Europe.

2. Transfer of certain service units, such as payroll, accounting, and personnel.

3. Transfer of programers responsible for material on areas outside of Eastern Europe and the Soviet Union; programers dealing with these areas will remain in Munich.

Radio management also will address the potential effects on the listening audience.

The Board, with appropriate foreign policy guidance from the Department of State, plans to study the political and psychological aspects of a transfer. It also plans to address such national policy issues as the effect a transfer might have on U.S. foreign relations.

CHAPTER 4

THE RADIOS SHOULD REDEFINE PROGRAMING REQUIREMENTS

Radio Free Europe and Radio Liberty continue to operate as two separate entities in developing and broadcasting program material. Each Radio allocates resources to its language services without regard to the resource allocation of the other. With the recent efforts to consolidate the Radios, a concerted attempt should be made to develop an interrelated, rank-ordered set of priorities for the combined Radios' broadcasts in the various languages and to apportion the consolidated Radios' resources to each language service accordingly. In like manner, a set of uniformly applied standards should be developed and used to set minimum and maximum resources for each language necessary to meet objectives in each target country. The standards should be developed in conjunction with overall broad U.S. foreign policy objectives for the target countries.

PROGRAMING PHILOSOPHY

Radio Free Europe and Radio Liberty are major international shortwave broadcasters, with combined estimated listening audiences of more than 65 million in the Soviet Union and Eastern Europe. Together, the Radios broadcast in 25 languages--6 Eastern European and 19 Soviet languages1/, more Soviet and "Soviet bloc country" languages for more program hours daily than any other non-Communist broadcaster. The Radios operate under the assumption that informed societies help to assure world peace and that uninformed societies may more easily be manipulated in directions threatening world peace. To this end, the Radios direct their efforts to present timely, accurate, uncensored news and feature material analyzing political, economic, and social developments of interest to their listening audiences.

1/ Radio Free Europe languages--Polish, Romanian, Hungarian, Czech/Slovak and Bulgarian.

Radio Liberty languages--Russian, Ukranian, Byelorussian, Armenian, Georgian, Azeri, Tatar-Bashkir, Kazakh, Kirghiz, Turkmen, Tadjik, Uighur, Uzbek, Estonian, Latvian, Lithuanian, Avar, Ossetian, and Chechen.

Additionally, the Radios broadcast the works of distinguished Soviet and East European writers, artists, and independent political thinkers whose works would otherwise be largely unavailable to the peoples of these countries. As such, the Radios "peddle no line" but seek to offer a wide range of information and ideas while filling the information gap caused by censorship in these countries.

CURRENT RESOURCE ALLOCATION FOR PROGRAMING

A review of programing data indicates that the allocation of personnel, frequencies, and transmitter power to each of the 25 language services, differs widely. For example:

--Original first-run programing for each of the five Radio Free Europe languages1/ averages about 354 minutes daily (37 percent of total programing, excluding music). Original programing for each of Radio Liberty's 19 languages averages about 44 minutes daily (about 14 percent of total programing).

--Average program staff on the Munich broadcast desks is 59.2 for Radio Free Europe and 9.05 for Radio Liberty.

--The average number of transmitter outputs assigned to each of Radio Free Europe's languages is approximately 5.4, double the average number assigned to Radio Liberty's languages. Further, two of Radio Free Europe's language services are unjammed and presumably need fewer frequencies than Radio Liberty languages, which are all jammed.

--Daily transmitter power for each Radio Free Europe language service averages 6,668.6 kilowatt hours, compared with 2,228.8 kilowatt hours for Radio Liberty. This difference is further complicated by the lack of jamming in two of Radio Free Europe's languages and the increased transmission power

1/ For purposes of our computation we combined Czech and Slovak and treated them as one language.

needed on some Radio Liberty language services due to the distances involved. Additionally, the Russian speaking audience is dispersed over a large land mass, requiring transmissions in three directions.

A presentation of some of the differences by language is shown in tables 3 and 4.

Table 3

Radio Liberty Programing Summary
(Programing Data as of Dec. 11, 1975)

Language	State Department priorities (note a)	Average daily programing: Minutes of 1st run programing	Average daily programing: Minutes of total programing	Average daily programing: 1st run programing (as a percentage of total programing)	Transmitter time (minutes)	Ratio of daily programing to transmitter time	Average kWh per day
Russian	10	318.43	1,440.00	21.1	9,705.00	1:6.74	28,723.0
Ukranian	8	64.29	900.00	7.0	1,380.00	1:1.53	2,400.0
Byelorussian	4	49.86	360.00	13.9	360.00	1:1.00	1,050.0
Armenian	6	48.86	360.00	13.6	630.00	1:1.75	775.0
Georgian	5	45.43	360.00	12.6	660.00	1:1.83	850.0
Azeri	7	36.86	360.00	10.2	660.00	1:1.83	850.0
Tatar-Bashkir	4	56.57	360.00	15.7	420.00	1:1.70	1,250.0
Kazakh	6	25.00	100.00	25.0	100.00	1:1.00	572.9
Kirghiz	1	11.71	50.00	23.4	50.00	1:1.00	286.4
Turkmen	1	11.71	50.00	23.4	50.00	1:1.00	286.4
Tadjik	2	11.71	50.00	23.4	50.00	1:1.00	286.4
Uighur	(b)	10.00	110.00	9.0	110.00	1:1.00	630.1
Uzbek	7	26.00	120.00	21.7	120.00	1:1.00	687.6
Estonian	3	30.00	240.00	12.5	240.00	1:1.00	850.0
Latvian	4	38.57	240.00	16.1	240.00	1:1.00	850.0
Lithuanian	4	38.57	420.00	9.2	420.00	1:1.00	1,150.0
Avar	(b)	5.57	122.66	4.5	228.57	1:1.86	294.3
Ossetian	(b)	5.21	117.86	4.4	214.29	1:1.82	275.7
Chechen	(b)	5.29	119.29	4.4	217.14	1:1.82	280.0
Total		839.64	5,880.01		15,855.00		42,347.8
Average		44.19	309.47	14.3	834.47	1:2.70	2,228.8

a/ Scale of 10 highest to 1 lowest.

b/ State Department considers broadcasting in these languages of marginal value to U.S. interests.

Table 4

Radio Free Europe Programing Summary
(Programing Data as of Nov. 24, 1975)

Language	State Department priorities (note a)	Average daily programing: Minutes of 1st run programing (note b)	Minute of total programing (including repeats)	1st run programing (as a percentage of total programing)	Transmitter time (minutes)	Ratio of daily programing to transmitter time	Average kWh per day
Polish	9	593.6	1,145.7	51.8	6,924.3	1:6.0	7,716.32
Romanian (note c)	9	430.3	777.1	55.4	3,967.2	1:5.1	4,449.28
Hungarian (note c)	7	591.4	1,118.9	52.9	4,707.7	1:4.2	7,267.53
Czech/Slovak	7/6	539.6	1,231.6	43.8	8,356.6	1:6.8	11,529.97
Bulgarian	5	354.7	487.6	72.7	1,833.3	1:3.8	2,379.98
Total		2,509.6	4,780.9		25,789.1		33,343.08
Average		501.9	952.2	52.7	5,157.8	1:5.4	6,668.62
				WITHOUT MUSIC (note d)			
Polish		341.3	1,145.7	29.8	6,924.3	1:5.9	7,716.32
Romanian		322.7	777.1	41.5	3,967.2	1:5.1	4,449.28
Hungarian		434.7	1,118.9	38.9	4,707.7	1:4.2	7,267.53
Czech/Slovak		437.0	1,231.6	35.5	8,356.6	1:6.8	11,529.97
Bulgarian		234.1	487.6	48.0	1,833.3	1:3.8	2,379.98
Total		1,769.8	4,760.9		25,789.1		33,343.08
Average		353.96	952.2	37.2	5,157.8	1:5.2	6,668.62

a/ Scale of 10 highest to 1 lowest.

b/ Includes music, which is approximately 30 percent of all 1st run programing at Radio Free Europe (aggregate average).

c/ Unjammed languages.

d/ Average minutes of 1st run programing per day reduced by the appropriate percentage of music included in data above.

With the creation of the Board for International Broadcasting and subsequent efforts to consolidate the two Radios, the necessity for development and uniform application of rank-ordered priorities and standards in resource allocation becomes apparent. In response to the Board's request in March 1975, the Department of State assessed the importance of Radio Liberty and Radio Free Europe languages on a scale of 10 to 1 (highest to lowest). Separate lists were prepared for Soviet and East European languages, with no intent to interrelate the two separate Radios' languages nor to imply equivalent value to the numerical ratings of the separate lists.

Radio Liberty		Radio Free Europe	
Russian	10	Polish	9
Ukranian	8	Romanian	9
Byelorussian	4	Hungarian	7
Armenian	6	Czech/Slovak	7/6
Georgian	5	Bulgarian	5
Azeri	7		
Tatar-Bashkir	4		
Kazakh	6		
Kirghiz	1		
Turkmen	1		
Tadjik	2		
Uighur	(a)		
Uzbek	7		
Estonian	3		
Latvian	4		
Lithuanian	4		
Avar	(a)		
Ossetian	(a)		
Chechen	(a)		

a/ State Department considers broadcasting in these languages of marginal usefulness to U.S. interests.

Comparing these lists with current programing practice shows disparities in resource allocation methods used within each Radio. For example.

--The State Department rates the Uzbek language as a 7, but it has less original and total programing and less consumption of average daily transmitter power and air time than the lesser rated Byelorussian, Armenian, Georgian and Tatar-Bashkir languages.

--Programs in Hungarian and Czech are broadcast all day while the higher rated Romanian language is broadcast only in the morning and evening.

--The lesser rated Hungarian language has more average daily hours of original and total programing and consumes more average daily transmitter power and air time than the higher rated Romanian language.

We were advised that there was disagreement within the Radios over the State Department ranking of the languages.

The existence of these anomalies within each Radio, however, does not address the central issue of appropriate resource allocation to the 25 language services of the combined Radios on a consolidated basis. With the recent consolidation and increased interest in operational efficiency and effectiveness, the Radios have a unique opportunity to assure that U.S. tax dollars are spent in a manner consonant with defined U.S. interests and priorities in the target countries. Since no interrelated, rank-ordered set of priorities currently exists for the 25 combined Radio languages as a whole, the Board for International Broadcasting may wish to request Department of State assistance in this matter.

In concert with this approach to resource allocation, the Radios should establish a unified set of standards defining minimum and maximum resources (staff, prime time listening hours, air time, frequencies, transmitter power) to be directed toward development and broadcast of program material. This is significant when noting that some language services are jammed and some are not; some are of major importance to U.S. interests and others are of marginal value; some have highly encapsulated audiences and some have widely dispersed populations. By integrating such standards with appropriate rank-ordered priorities for the 25 languages, the Radios will be in an optimal position to assign a requisite level of resources to important languages and to deemphasize or eliminate language services of marginal value to U.S. interests or for which the minimum necessary resources are not available.

STUDY OF RESOURCE ALLOCATION

During the course of our review, the Board for International Broadcasting and Radio management took several steps to define and/or correct some programing and resource allocation problems.

--The Board requested the Radios to submit a language requirements report and a consolidated policy-program guideline statement for their entire operations.

--The Radios' engineering directorate began work on the summer 1976 transmission schedule, consolidating the language services of both Radios. We understand this schedule will encompass major shifts in frequency, power, and prime time allocations from some of the minor languages to major languages. Further, it may reduce the number of hours broadcast each day during off hours in many of the language services.

--Radio management began a program planning study to determine appropriate broadcast priorities in program emphasis and resource allocation for the combined Radios. The Radios are currently studying programing priorities and resource allocations. This is purported to be an across-the-board study of the substantive aspects of operations and relationships between programing goals and transmitter requirements and assignments. These include overall language priorities, program content, types of programs, amounts of original and repeat broadcasting, staff and free-lance utilization, research as source material, and newsroom support.

CONCLUSION

The Board for International Broadcasting should ensure that Radio management establishes and implements a set of interrelated, rank-ordered priorities for all languages broadcasted. Uniform standards should be developed, defining maximum and minimum resources to be used in programing and broadcasting of material to target audiences.

AGENCY COMMENTS

We were advised that, as the result of a Radio study started in November 1975 on programing priorities and resource allocation, changes are being made to the summer broadcast schedule. These changes include

--effective use of limited interchangeability afforded by transmitter sites in Germany,

--dropping of three North Caucasian languages (Avar, Chechen-Ingush, and Ossetin),

--reduction of repeat programing in many languages, and

--broadcasting, in almost all cases each language on more than one frequency simultaneously to improve the chances for audible reception.

The Board and Radio management agreed at the Board meeting in April 1976 that this is only the beginning of an ongoing review process. It was further agreed that the Board and Radio management will define the mission and objectives of the Radios and outline the relative priorities.

CHAPTER 5

CONSOLIDATED PLANS REQUIRED FOR EXPANDING OR MODERNIZING TECHNICAL FACILITIES

Coincident to receiving funds for technical modernization, the Radios began consolidation. Their combined technical requirements, however, have not yet been fully addressed. Areas needing further study include the establishment and uniform application of technical standards and possible sharing of facilities with Voice of America. Also, resource allocation and related programing requirements (hours of original programing, repeat programing, and language priorities) have not been reviewed. The Radios have only recently initiated studies on these matters.

PLANS FOR MODERNIZING TECHNICAL FACILITIES

A comprehensive technical modernization study was made in 1966 to establish future Radio Free Europe equipment requirements. Since then, the Radios and outside consultants have made several studies--all pointing up the need for higher powered transmitters and associated antenna systems. However, a consolidated, documented analysis supporting the need for modernization under the current consolidation of the Radios had not been completed at the time of our review. Radio officials responded that there has not been sufficient time since consolidation to make such an analysis. Nonetheless, what is referred to as a limited modernization program of Radio transmitter facilities in Germany has been devised and programed through fiscal year 1977.

This program includes 12 new 100-kilowatt transmitters to be installed at the transmitter sites in Germany--8 at Biblis, and 4 at Lampertheim (including two 100-kilowatt transmitters installed in the later part of 1975). If the Spanish site is lost, an additional 6 transmitters will be required at Holzkirchen. The total cost is estimated at $8.76 million, including antenna systems and other associated equipment modifications or additions. At the time of our review, approximately $5 million had been provided through Federal funds, private contributions, and gains from foreign currency exchange. The engineering personnel believe the equipment upgrading will enable the Radios to reach their listeners with stronger, more audible signals.

LACK OF TECHNICAL STANDARDS

In justifying the current modernization program, Radio officials noted that some of the equipment was old and outmoded; two new Baltic languages added to programing required more transmitter outputs; and jamming, excess congestion of the shortwave bands, and competing broadcasters using higher powered transmitters caused the Radios' signals to be "drowned out." Additionally, Radio management feels that the uncertainty of renewing leases in Spain and Portugal has precipitated an urgent need to have as many alternate facilities under control as possible in case of the loss of transmitter stations on the Iberian Peninsula.

One issue unresolved under the modernization concept was the establishment of specific and realistic broadcast standards. At the start of our review, the Radios had not established clearly-defined, minimum standards of channel and program effectiveness (by language) nor the degree to which technical modernization will be used to overcome skywave jamming and Western broadcasters' frequency interference. Additionally, the incidence of groundwave jamming in major metropolitan areas has yet to be quantified and the degree to which the upgrading of technical facilities will cope with this problem has not been established. Finally the Radios have not established the minimum percent of weekly committed listeners residing in the target areas which should be able to receive audible broadcasts.

During our review, the Radios adopted a minimum signal strength standard of 1-milliwatt/meter for their target areas. Radio officials, however, believe that the standard by itself has little bearing on the quality of the signal being received because the intensity of jamming, unintentional interference, and changing atmospheric conditions--the determining factors--cannot be readily assessed nor predicted.

In a way, the Radios do assess and predict these conditions four times a year, when formalizing the seasonal transmitter schedules. Currently, the end result appears to spread the available resources so thin that some of the 25 language services fail to receive minimum allocations of transmitter power and frequencies for adequate target area reception. For example, the director of engineering stated that commonly accepted shortwave broadcast practices require a minimum of 3 frequencies per broadcast for unjammed languages and up to 6 for jammed languages. Currently, none of Radio Liberty's 18 nationality language services meet

this standard. Radio management advised us that the actions now being taken--installation of the new 100-kilowatt transmitters mentioned above, schedule modification which will reduce the number of program hours for most of Radio Liberty minor languages, modification of antenna systems transmitting plants in order to have interchangeability between Radios, and possible agreements with host countries for cross use of technical facilities--will help remedy this situation.

We believe that any system of transmitters, no matter how powerful, will fail to reach some target area listeners some of the time. Given this situation, the effectiveness of any broadcast system cannot be measured without establishing realistic minimum standards of signal quality in specific reception areas that have jamming, atmospheric, and interference constraints.

CONTINGENCY PLANS FOR
SHORT- AND LONG-RANGE NEEDS

The Radios face the potential loss of facilities in Portugal and Spain because of present internal affairs and the expiration of long-term lease agreements. According to Radio officials, without limited modernization Radio Free Europe would lose 82 percent of its power and 67 percent of its broadcast hours and Radio Liberty would lose 72 percent of its power and 40 percent of its broadcast hours.

The Radios and the Board for International Broadcasting are faced with two long-range planning problems (1) satisfactory contract arrangements in Spain and Portugal or (2) alternatively, the degree of cooperation possible with the Voice of America on joint use of facilities. If neither of the above alternatives is possible then the Radio advised that it will be necessary to seek a new site.

Long-term lease renewal remains doubtful. In Portugal, Radio Free Europe has been granted a temporary extension of its lease. However, efforts to obtain a long-term arrangement in both Portugal and Spain will have to await a host-government decision.

The Radios and the Board are studying the short- and long-range equipment needs and have developed various options--improvement of facilities in Germany, new site

possibilities in the United States and overseas, and possible cooperation with the Voice of America. There appears to be agreement that joint use of facilities by Voice of America and the Radios is technically feasible. However, basic arguments against joint use include the possible impact on Voice of America credibility, whether agreements under which the Voice operates in foreign countries will permit joint use, and the lack of a thorough review of Radio programing requirements.

The National Security Council directed that the Board, the Department of State, and the United States Information Agency study the feasibility and appropriateness of Radio Free Europe's contingency use of Voice of America facilities in case of the loss of the Portugal site. However, the decision made deals only with contingency planning; therefore, we believe the question of whether or not it is feasible and appropriate for the Radios and the Voice of America to share transmitter facilities should be resolved.

CONCLUSIONS

The actual day-to-day operations of the Radios may generally be divided into (1) production and programing of broadcast material and (2) transmission of this material into designated target audience areas, as discussed in chapter 4. Both functions are important and interrelated in meeting Radio objectives.

The Board for International Broadcasting and the Radios have initiated major studies on programing requirements and technical facility needs. We suggest that the studies which should interrelate program requirements and technical facility needs consider the following questions.

--How many languages should the Radios be broadcasting and what are their relative priorities?

--How may hours of original and repeat programs should be aired?

--What hours of the day or night should each language be broadcast to be most effective?

--What transmission facilities are needed to cope with jamming, unintentional frequency interference, and atmospheric problems to maintain reasonable listener audibility?

--Are there better methods or combinations of methods for adequate technical monitoring of broadcast signals?

--Is the matter of interchangeability of the Radios' transmission facilities going to be fully explored with the Governments of Spain and Portugal?

--Given the recent political developments in Spain and Portugal, have the relative costs and benefits of alternative sites been fully explored?

RECOMMENDATIONS

We recommend that the Board for International Broadcasting thoroughly examine the above questions and fully address them in its 1976 annual report to the Congress and the President.

We recommend also that the Board request a decision from the National Security Council on the merits of sharing of transmitter facilities for every day use by the Radios and the Voice of America.

AGENCY COMMENTS

The Board plans to address the questions raised above in its fiscal year 1976 annual report to the Congress and the President and to pursue the question of sharing facilities with the Voice of America over and above a contingency basis. However, it was noted that neither the Voice of America nor the Radios currently have excess capacity. Therefore, it is expected that the question will deal mainly with coordinating future modernization plans.

CHAPTER 6

PERSONNEL COMPENSATION AND BENEFITS PRACTICES

Our review in Munich shows that, in some cases, personnel compensation and benefit practices are:

--Inequitable to employees because of innumerable differences between the practices of the two Radios.

--Difficult to manage because there are several different salary scales and complex labor-management relationships.

--Outmoded because the system for providing housing dates back to the early 1950s.

--Resulting in employees being compensated at higher levels than they would be as U.S. Government employees.

Our review did not include a salary and position comparison between the Radios and the Government because several subjective factors are involved, including job classification.

Management is well aware of most of the problems and some changes are being pursued. We recognize that solutions are not readily available nor easily devised.

Personnel compensation and benefits practices totaled about $39.2 million in fiscal year 1975 and represented approximately 69 percent of total Radio expenses.

MULTIPLE COMPENSATION PROGRAMS AND COMPLEX LABOR-MANAGEMENT RELATIONSHIPS

Salaries take several different forms within the Radios, each designed for different types of employees. Table 5 shows the seven separate compensation programs and the number of personnel affected, excluding the programs for Radio employees in Portugal and Spain.

Table 5

	Personnel			
	United States	German	Third-country nationals	Total
Radio Free Europe				
Executive dollar scale (employees, principally Americans, serving in management and some supervisory positions; annual salary reviews serve as basis for increases)	48	0	12	60
U.S. dollar scale (employees paid in U.S. dollars whose salaries are negotiated with the American Newspaper Guild)	28	0	15	43
Language/dollar paid or deutsche mark (foreign exiles who possess other than German citizenship or documentation papers; salary set by labor union negotiation)	144	138	125	407
German supervisory scale (for German employees serving in supervisory positions) (note a)	0	21	0	21
German scale (all German employees in nonsupervisory positions; scale set by union negotiations) (note a)	0	349	0	349
	220	508	152	880
Radio Liberty				
Headquarters dollar scale (structured in same manner as U.S. Civil Service; but position classification levels not the same in terms of grades and steps)	32	0	3	35
German scale (German-based persons for whom the Headquarters scale not considered appropriate) (note a)	38	75	274	387
	70	75	277	422
Total	290	583	429	1,302

a/ These scales have subsequently been consolidated into the Radio Liberty scale retroactive to October 1, 1975.

Complex labor-management relations also exist because Radio Free Europe has three labor unions (the German Salaried Employee's Trade Union, Bavarian Journalists Associates and American Newspaper Guild) and two works councils (the Nationalities Works Council and German Works Council) Radio Liberty has one union (the Radio-Telegraph-Film Union) and one council (the Radio Liberty Works Council).

The works councils represent employees and assist management in social and personnel matters to avoid strife, conflicting interests, and the loss of morale. However, they often contest management personnel decisions in court to maintain seniority rules.

COMPENSATION AND BENEFITS PRACTICES

Radio personnel compensation and benefits in Munich are not alined with those of the U.S. Government. Although we concede that employment with the Radios may not offer as much job security as that with the Government, it appears that the Radios should use a schedule somewhat similar to that of the Government general schedule and/or foreign national salary scale. The Radios are almost 100 percent Government-funded, as is the Voice of America which uses those scales.

A comparison of certain benefits received by Radio employees with benefits received by Government employees in Munich follows.

	Radio Liberty	Radio Free Europe	U.S. Government
	(Employee is married and has 2 school-aged children.)		
Base salary	$23,672	$23,625	$23,670
Post allowance	4,975	1,458	a/
Favorable conversion	b/5,680	c/11,297	-
Housing	5,400	6,732	5,200
Education	2,496	2,496	3,000

a/ No post allowance is authorized. However, Department of State advised that if one was authorized it would amount to $1,500. In lieu of a post allowance, Government employees have commissionary and post exchange privileges.

b/ Conversion rate is 3.20 marks to the dollar.

c/ Conversion rate is 4 marks to the dollar.

Radio and Government employees also receive other similar benefits and allowances, such as annual, sick, and home leave; health insurance; retirement; and relocation allowance. Although patterned after Government benefits and allowances, there are differences in the benefits derived. These differences also exist between the Radios. Radio management has plans to remove the differences between the Radios and to make them compatible with the Government benefits.

Favorable conversion rates

We believe it is a questionable practice to allow certain dollar-paid Munich employees to receive the 4 marks to $1 (Radio Free Europe) or 3.2 marks to $1 (Radio Liberty) favorable conversion rate for the net amount of their salaries, cost of living allowance, and housing allowance (when applicable).

The favorable conversion practice at both Radios consists, for the most part, of the privilege of converting dollar checks at these rates instead of at the commercial rate (approximately 2.55 marks to $1 in April 1976). The conversion privilege amounts to about 80 percent of the exchange benefit received by the employee. During calendar year 1975, this benefit amounted to $2,910,426 for Radio Free Europe employees and $661,696 for Radio Liberty employees.

The Radios also subsidize certain dollar-paid employees by withholding required amounts for German social security and German income taxes at the favorable conversion rate instead of at the commercial rate. This results in the amounts withheld being less than the Radios are required to pay. For example, the Radios' required monthly payment for German taxes, social security, and unemployment insurance for an employee might be $252. By using the favorable conversion rate for withholding purposes, the Radios would withhold $205 from this individual's pay, resulting in a subsidy of $47.

Rationale for establishing favorable conversion rate

The major dollar loss began in Germany in October 1969, when its value dropped to 3.60 marks. Radio Free Europe then adopted the policy of subsidizing the loss by permitting dollar-paid employees to convert the net amount of their dollar salaries at a 4 to 1 rate.

Similarly, in October 1969, Radio Liberty established a favorable conversion rate for its dollar-paid employees, which remained at 3.66 to 1 through December 1971. From January 1973 to the present time, Radio Liberty has used a 3.2 to 1 rate for its dollar-paid employees.

In establishing the favorable conversion rates, the management of the Radios was attempting to equalize salaries between dollar-paid employees and their German counterparts and to stabilize their income at a time when the value of the dollar was dropping.

Management in 1969 believed the Radios should maintain the mark equivalent of dollar salaries and cash allowances after deductions at the predevaluation rate. They felt that to do anything less would represent a salary cut for dollar-paid employees because they live on the German economy and their expenses are in marks, not dollars. Dollar-paid employees at the Radios--unlike U.S. Government employees stationed overseas--do not have post exchange or commissary privileges to buy food, gasoline, and other items in dollars at U.S. price levels.

Policy reassessment

As early as November 1969, Radio management recognized that the favorable conversion rates were not functioning satisfactorily, and it was suggested to management that the practice be discontinued in favor of a fluctuating mark revaluation allowance. This was not done, and the favorable conversion rate has been continued to the present time.

Radio management told us that it is considering ways to drop the favorable conversion rate. One way being considered is to raise the cost of living allowance and, if necessary, salaries, so that most employees affected would lose no more than $1,000. For example:

	Current	Revised
Salary	$14,722	$16,000
Cost of living	1,328	10,000
Favorable conversion rate (note a)	10,678	-
	$26,728	$26,000

a/ Conversion rate also considers housing allowance and other items not shown.

Housing

The Radios provide housing or an allowance in lieu of housing for more than 600 employees in Munich at an annual cost of about $3 million. This amounted to about 5 percent of total Radio expenses for fiscal year 1975. At the time of our review, Radio Free Europe had 273 employees in company-controlled housing and 214 on housing allowances. Radio Liberty housed 121 employees and had 10 on housing allowances. The housing cost ranges from $1,408 to $11,948 for Radio Free Europe employees, and from $1,992 to $11,304 for Radio Liberty employees.

Furnished living quarters, including fuel and utilities, or a housing allowance in lieu of quarters is provided to Radio Liberty's headquarters-scaled overseas employees and to Radio Free Europe executive and U.S.-scaled employees. The quarters or allowances are based on employees salary and marital status. The range for Radio Liberty employees is approximately $2,400 to $8,600 and for Radio Free Europe U.S.-scaled employees from $1,032 for single employees to $3,903 for married employees with 4 dependents. The Radio Free Europe executives are provided housing or a housing allowance that is individually determined.

Rationale for housing

Initially, housing was provided because of the belief that the Radios were to be shortlived entities and so that "homeless refugees" would have a place to live upon arrival in Germany. Additionally, Radio officials stated that for many employees it is necessary to provide housing in order to obtain residence and work permits in Germany. Officials said that providing housing also assists in recruiting and retention. Housing is also provided to certain employees at remote locations because of work requirements.

Our analysis of these housing benefits shows that most eligible Munich employees at both Radios have been provided housing for long periods of time.

Years in housing	Radio Free Europe		Radio Liberty	
	Number	Percent	Number	Percent
0 to 5	32	12	50	41
6 to 10	53	19	26	22
11 to 15	52	19	19	15
16 to 20	42	16	15	13
Over 20	94	34	11	9
	273	100	121	100

The provision of housing or allowance in lieu of housing is another example of inequity between the policies of the two Radios. Radio Free Europe provides the benefit to all its U.S. and language employees; Radio Liberty does so for headquarters-scaled employees and for a number of third-country nationals engaged in programing and research and paid according to the local scale.

Need for company-leased housing

The Radios paid housing rent of about $1.27 million, housing allowances of about $863,000, and more than $170,000 for housing related work of 18 administrative personnel to manage the program in fiscal year 1975. This does not include such incidental costs as household furnishings1/. Regardless of whether some form of temporary housing program is ultimately retained, we believe the practice of the Radios being a permanent landlord for employees is undesirable.

The practice originated in the early 1950s when the housing situation in Munich was desperate. The quality and quantity of Munich housing is much different today. GAO reported in September 1974 that Government experience has been that Government-leased housing results in higher costs to the Government than does the quarters allowance system and in inequities among employees2/.

1/ For Radio Free Europe, this includes chinaware, glassware, and kitchen utensils. Radio Liberty supplies only basic furniture.

2/ "Fundamental Changes Needed to Achieve a Uniform/Government-wide Overseas Benefits and Allowances System for U.S. Employees," B-180403, dated Sept. 9, 1974.

Radio Free Europe had 20 vacant housing units and Radio Liberty had 1 on November 30, 1975. We noted some exceptions to established eligibility policy. Eligible Radio Free Europe personnel can elect to receive a housing allowance even though housing vacancies may exist. Radio Liberty makes this decision but usually pays the allowance if employees prefer it to company housing.

Comparison with U.S. Government and private industry practices

Generally, the Government provides housing or housing allowances to U.S. employees contracted in the United States for employment at one or more overseas locations. U.S. employees hired outside the United States and foreign local national employees are not given this benefit because their salaries are usually based on local conditions, including housing costs.

Government civilian employees assigned to Munich are authorized to occupy Government-owned or leased quarters free of charge or to receive a living quarters allowance. The quarters allowance is based on grade and family status and ranges from $3,100 to $6,000.

A common practice in private industry for employees contracted in the United States for employment overseas is to pay only the difference between the higher cost of housing at the overseas location and what the employees would normally pay in the United States. Another practice is to pay 75 percent of housing costs above 15 percent of base salary.

Conclusions

Nearly $3 million, 5 percent of Radio expenses, was spent for employee housing. The initial reasons for providing housing seem to be outmoded. A temporary housing assistance program may be needed, but providing housing to "homeless refugees" for more than 20 years goes beyond the intitial purpose. Considering the extra costs the Radios incur as landlords, the practice of holding large numbers of company-leased houses is undesirable. The entire program, therefore, needs to be reconsidered, keeping in mind the purposes for providing housing, alternatives available, and practices of other organizations.

We were advised that the housing benefits are included in contracts with three unions and a company agreement with a Radio Free Europe works council. Radio Liberty is obligated by written agreements with employees now receiving the benefit. Despite these legally binding agreements, however, we were informed that management is making a study of

1. unifying policy for both Radios;

2. hiring, where possible, only those persons not eligible for housing; and

3. switching from company quarters to a housing allowance system within 3 years.

We believe these areas are important for management consideration; however, only through actual implementation can the benefits of such actions be realized.

OTHER DIFFERENCES BETWEEN RADIOS' EMPLOYEE BENEFITS

Examples of differing employee benefits and working conditions between the two Radios are as follows.

--Although the Radios presently share the same facility, they have different working hours, overtime computations, and rules for Sunday, holiday, and night work.

--Annual, sick, and special leave regulations depend on type of employee and years of service.

--The 13-month salary1/, provided at both Radios, differs in amounts and recipients.

--The meal allowances, which is a controversial subject among Radio employees, differs in amount between the two Radios.

1/ This benefit is part of the collective bargaining agreement and is a common practice in Europe. Radio Free Europe pays its German employees 1-month's basic salary in November and its language and non-American employees 100 to 300 marks, depending on length of service. Radio Liberty pays its local employees one-half of 1-month's salary in May and November. Its overseas nonlocal employees do not receive this benefit.

Radio management believes that many of these differences result in inequities. It advised us that in many personnel matters--hiring, firing, working hours--German law gives the works councils codetermination rights. Management noted that it has been unable to reach an agreement with the works councils on establishing common working hours.

Termination notice and severance pay

The Radios estimated that, as the result of consolidation of certain functions and of economy changes in 1975, termination and severance pay to be funded from the fiscal year 1976 grant will amount to approximately $4.3 million. This includes 230 staff reductions, 73 from consolidation and 157 from economy cuts.

Radio Liberty has a longer notice period than Radio Free Europe but a shorter period of time for severance pay. Radio Liberty gives severance pay to its overseas employees but not to local hires. Radio Free Europe pays severance pay to its American, language, and German employees.

Further, the makeup of severance payments differs between the Radios. Radio Liberty includes only basic pay and applies it to an established formula. Radio Free Europe includes basic pay, foreign service allowances, and housing allowances; the total is applied against a table that is based on years of service and the number of weeks is figured correspondingly. This entire amount is convertible at the favorable conversion rate of 4 marks to $1 if the employee is on the dollar payroll and terminated in Germay. Radio Liberty does not permit this for severance pay. In any case, both Radios limit the amount of severance pay to 1-year's annual salary or less.

CONCLUSIONS

Personnel compensation and benefits amount to 69 percent of total Radio expenses. Therefore, it should be guided by appropriate standards and reviewed and approved at the highest level of Radio management and by the Board for International Broadcasting.

The Radios under guidance of the Board for International Broadcasting should follow as closely as possible the Government practices in developing a salary and benefits and allowance system. Such a system would help to eliminate inequities between the Radios and serve as a catalyst in dealing with unions and works councils.

The current compensation and benefits program was established at a time when employees were being penalized by the drop in the value of the dollar. The program was adjusted to allow for the high cost of living caused by the dollar devaluation. However, the sharp drop in value of the dollar situation has somewhat stabilized to the point where now there are only minor fluctuations.

Although management is aware of the compensation and benefits problems and is working to resolve them, it will be difficult to make some of the necessary changes. Management risks many encounters with employees and unions, especially if corrective action indicates any reduction in compensation.

RECOMMENDATIONS

We recommend that the Board for International Broadcasting use two guides in directing Radio management in personnel compensation and benefit planning: (1) the compensation system should be simplified into a two-scale system similar to the U.S. Government general schedule and foreign national system and (2) benefits for Radio employees should be somewhat comparable to Government benefits. It may take some time to implement such a plan, and, in some unusual cases, it may never be entirely achieved.

We further recommend that Radio management develop a compensation and benefits plan in consultation with and approval of the Board and implement the plan over a specific early timetable. We believe this proposal is entirely within the Board's oversight responsibility.

AGENCY COMMENTS

We were advised that a major effort is underway in nearly all areas mentioned to unify and rationalize current personnel compensation and benefits practices. However, because the benefits have been embedded in collective bargaining agreements with unions and works councils, the assent of these employee representatives will be required to modify, phase out or abolish them. The Radios' goal is to

design, with the approval of the Board, the benefits program so that it is comparable to benefits being provided to employees of the Government.

Radio management acknowledges the need to make changes regarding such matters as favorable conversion rate, housing, notice and termination pay, and the apparent high level of compensation for some Radio employees in Europe, particularly Germany. Management has underway preliminary interviews with consultants who specialize in both domestic and international compensation, with the idea of having a comprehensive study made which will provide the following information.

--Are the salaries, fringe benefits, working conditions, etc., of the employees in Europe, particulary Germany, competitive with those being paid by other U.S. companies who have employees in Germany?

--How do salaries, fringe benefits, and prerequisites compare with those given to Government employees performing similar jobs in similar locations?

--If the results of the study indicate that salaries, fringe benefits, and prerequisites exceed those paid by U.S. companies or the Government, what steps can Radio management take to bring the total compensation package in line with that of Government employees and/or employees of a U.S. company operating in Germany?

CHAPTER 7

FURTHER ECONOMIES ARE POSSIBLE

GAO in 1972 and the Eisenhower Commission in 1973 recommended that the Radios take steps to consolidate their administrative and technical support functions. Subsequently, the Radios acted to physically consolidate locations and most administrative and technical support functions. This has resulted in annual savings to the Radios of about $6 million dollars.

Our review of the resulting organization shows that further economies are possible, primarily by merging or reorganizing some remaining functional departments. For example, the separate newsrooms could be merged and the monitoring services could be reorganized.

PROGRESS IN CONSOLIDATION AND ECONOMIZING

In November 1974, the Board for International Broadcasting approved plans calling for:

--A single top-level management, with a president in the United States and executive vice presidents for operations in Europe and the United States.

--Consolidation of administrative and technical support services.

--Joint operating locations in New York and Munich, with separate broadcasting operations, including separate Radio directors, controlled by the separate corporations.

In January 1975, the New York headquarters of the two Radios were consolidated into Radio Liberty's facilities. The move was accompanied by a merger of programing facilities in New York. On July 1, 1975, the Radios unified their executive leaderships under a single president.

In October 1975, Radio Liberty moved into the renovated facilities of Radio Free Europe in Munich, and headquarters for the two corporations were established in Washington, D.C.

Since 1972, budget restraints, consolidation programs, elimination of some nonradio activities, and other economy measures have reduced the Radio staff 25 percent--from 2,381 to an estimated 1,786 at June 30, 1976.

Existing separate functions

Munich operations still have major services that are separate entities, including:

	Personnel (note a)	
	Radio Free Europe	Radio Liberty
News	44	43
Research	61	28
Monitoring	40	16
Programing	269	109
Audience research	10	10

a/ Based on estimated strengths as of June 30, 1976.

We reviewed the newsrooms and the monitoring function to determine whether further consolidation and/or reorganization was possible.

PROPOSED CONSOLIDATIONS FOR NEWS OPERATIONS

The Radio Free Europe central newsroom does not prepare finished newscasts, but feeds newscast material in English to the news sections of the five broadcasting departments. The news sections screen, select, and translate the material for broadcasting. The central newsroom gathers and distributes to the five broadcast departments for news feature programs raw programing material gathered from correspondents, news agencies, press, and monitoring. We observed that each broadcasting department receives all this material and must select the items it needs to write news features.

Radio Liberty's process for news items is centralized. The central news service produces ready-to-air newscasts and news features in Russian and selectively distributes material on other topics to the other 18 language desks through an information center.

We presented suggestions to Radio management for combining the news operations. Our presentation, although

perhaps not perfect in all respects, represented a conceptual perspective not heretofore available to management. The suggestions were developed from position papers provided by (1) staffs and directors of the two separate newsrooms, (2) other Radio officials with long radio experience, and (3) other documentation.

The suggestions included.

--A centralized system similar to that of Radio Liberty and other international broadcasters, such as the Voice of America, British Broadcasting Company, and Deutsche Welle.

--Newscasts and news features centrally prepared with the objective of one broadcast script for international newscasts and news features. Each broadcasting department would retain its prerogative to assign priorities and develop domestic news stories.

--Output of the combined news operations being in English and ready-to-air Russian. The Radio Free Europe broadcasting departments and several non-Russian desks at Radio Liberty would translate the English service into ready-to-air form.

--Radio Liberty's information center being expanded to handle the needs of all broadcasting departments. The information center would provide news feature material on a more selective basis than the current process.

--Radio Liberty programers would have greater access to more Western news agencies. In addition, the United Press International and Reuters dual contracts can be reduced to one. Their costs are increasing and negotiations might result in a better rate.

--Terminating or reallocating a number of positions.

Views of officials

Radio officials agreed that consolidation is feasible. It was noted that major improvements in the news operation are possible only through consolidation. However, there was some reservations about consolidation. The concept was considered workable if separate broadcast scripts were issued in Russian and English.

A top management official pointed out that estimated staff reductions were, in his opinion, neither realistic nor realizable. He noted that consolidation of the newsrooms would change the fundamental structure and character of the stations and should not be made without an exhaustive and objective study. Such a study is now underway.

Conclusions

Although management's comments have merit, we believe that the concept of one news operation to service both Radios is workable and should be pursued by management. We noted that our suggestions to combine the news operations were not perfect in all respects, but we believe Radio resources can be shifted to facilitate the consolidation of the newsrooms and that this should result in savings. We also believe that consolidation of the news function can foster an attitude of "oneness" for the Radios, which currently is lacking.

MANAGEMENT SHOULD REEVALUATE RESOURCES DEVOTED TO RADIO MONITORING

To carry out their missions, the Radios must know what is being broadcast by Soviet Union and East European radios. Monitoring these radios provides information on audience country developments to which Radio programers, researchers, and policymakers can react. Differences exist in the amount of monitoring between the Radios and within Radio Free Europe's broadcast departments. Our analysis shows that monitoring could be reduced and resources could be used more effectively.

Monitoring differences

Radio officials were asked to provide specific criteria on how they allocate resources to monitor foreign

broadcasts. They said specific criteria were not available. However, management generally allocates resources based on what it believes to be the relative importance of the target countries and the usefulness of the countries' radios as a source of broadcast material. While there may be other criteria which are important in allocating monitoring resources, we analyzed Radio monitoring activities for quantity, use of output, and political significance of the target country.

For fiscal year 1976, Radio Free Europe had 44 monitors costing $1 million a year and Radio Liberty had 16 monitors costing $282,100 a year1/. The explanation for the disproportionate staffing is that the bulk of Radio Liberty monitoring is in one language, Russian, whereas Radio Free Europe monitors six languages. However, Radio Liberty also selectively monitors 9 of its 18 nationality languages, so we do not believe this explanation accounts for the entire difference.

Our analysis of Radio Free Europe's November 1975 monitoring activities showed that the five broadcasting departments varied widely in (1) amount of monitoring in terms of personnel resources, (2) daily output of transcriptions and news stories, (3) political importance and intensity of monitoring, and (4) daily news usage rates. (See table 6.) For example, the Czechoslovakian monitors listen to about half of all hours monitored for Radio Free Europe, even though Czech/Slovak languages are only medium-priority languages as established by the Department of State.

We traced the source of news items generated from monitoring for the month of November 1975 and found that, compared to monitoring output, the amount of monitored news material actually used in Radio Free Europe broadcasts is quite limited. Management officials confirmed our opinion that monitoring has limited use for news programs; however, they stated it is important to counter misinformation provided by a target country's news media.

1/ In addition to Radio monitors and transcribers, the Schleissheim receiving station has 28 technical people and a budget of $553,000. The station has been consolidated to receive for both Radios.

Table 6

Analysis of Radio Free Europe
Monitoring Activities - November 1975 (note a)

	Cross report Number	Bulgaria Number	Bulgaria Percent	Czechoslovakia Number	Czechoslovakia Percent	Hungary Number	Hungary Percent	Poland Number	Poland Percent	Romania Number	Romania Percent	Total number
Listening audience (millions)		2.4		4.4		4.1		14.2		8.8		33.9
Monitors	8	5	11	12	27	6	14	7	16	6	14	44
State Department language priority (note b)		5		7/6		7		9		9		
Input												
Stations monitored		5	19	8	29	3	11	5	19	6	22	27
Hours of signals received		1,095	11	4,185	43	1,170	12	1,329	13	2,085	21	9,864
Hours listened to by monitors		186	10	901	49	146	8	141	8	460	25	1,834
Output												
Transcriptions (pages per day)		45	14	100	31	65	20	70	21	45	14	325
Headline stories in twice-daily roundup monitoring reports	30	44	17	71	27	47	18	58	22	42	16	262
Use												
Wire items	8	6	21	4	14	4	14	4	14	3	10	29

a/ We did not obtain the same information for Radio Liberty because numbers of U.S. listening audiences in the Soviet Union are not available.

b/ State Department priorities are in terms of bilateral political and economic importance to U.S. policy. The scale is 1 to 10, with 10 being the highest priority.

A better way to control resources

Currently, monitoring is paid from the Radios' news department budgets, but monitoring primarily benefits the broadcasting departments. If the monitoring services were financed from broadcasting department budgets, the monitoring resources could be more tightly controlled. Management officials said our proposal to transfer monitors to the broadcasting departments merits consideration.

Management comments

Below are Radio management comments on our analysis of monitoring activities.

--Whether or not Radio Liberty monitoring is carried out more efficiently than Radio Free Europe monitoring, it does not necessarily follow that cuts should be made in Radio Free Europe's operation. Radio Liberty would like to enchance its monitoring operation, which has been reduced over the years due to budgetary cutbacks.

--Radio Liberty would not want as large a monitoring operation as Radio Free Europe has because its programing operations would be too small to absorb this quantity of material. Presumably, Radio Free Europe desks can make use of this large quantity of transcriptions because its broadcasting departments are large enough to handle it. Thus, while it might make sense to question the amount of resources going into Radio Free Europe as opposed to Radio Liberty, it is not logical to suggest that Radio Free Europe's monitoring can be cut because the resources going into Radio Liberty's monitoring are much smaller.

--The analysis correctly points out the relative quantitative smallness of monitoring as a source of news items. It is important, however, that a radio station which attempts to be a surrogate-free East European station have these items. In an East European crisis situation they become a matter of life and death. During and after the Soviet-led

invasion of Czechoslovakia in 1968, Radio Free Europe would have failed in its mission if it had been unable to monitor the many underground radios which sprang up in Czechoslovakia.

--Several reallocations in recent years have reduced Radio Free Europe's monitoring operation. From June 1969 to June 1976 there will have been 26 personnel reductions in the monitoring operation.

Conclusions

We believe that monitoring could be reduced and resources allocated between the broadcasting departments more efficiently. Also, the monitoring services should be financed from the broadcasting department budgets, which should provide greater cognizance on the part of the users of the information and, presumably, more questioning of the amount of resources going into this function.

ADDITIONAL ECONOMIES AND EFFICIENCIES

While reviewing other areas, we concluded that the following areas warrant consideration for consolidation or improvements to eliminate duplication among the Radios and to improve resource allocations.

Data research

Both Radios have research departments with separate directors. The directors also are active researchers. In fiscal year 1975, Radio Free Europe's department had 68 employees at a cost of $1.9 million and Radio Liberty had 38 (subsequently reduced to 29) at a cost $.8 million.

The research departments' basic functions are (1) collecting and filing data as an archive, (2) writing interpretive papers, abstract articles, and preparing other background information for programers, (3) verifying the accuracy of certain broadcast material, and (4) providing direct daily guidance to the broadcast programs. The data is mailed to a number of subscribers, such as universities and the Library of Congress. Research facilities and files are made available to visiting researchers. Costs of the departments are not allocated between radio and nonradio applications, and no estimate of the appropriate allocation was readily available.

Radio Free Europe and Radio Liberty have about 1,000 and 500 subscribers, respectively, for their research material. Subscribers pay a fee of approximately $40 a year to cover paper and mailing costs only. An allocation of personnel and other research costs are not charged to subscribers. Outside researchers who use the archives do not pay a fee. Total research revenue for subscription is approximately $35,000 to $40,000 for each Radio.

We did not analyze the internal use of the research material in the Radios' broadcast programs. We were advised, however, that the Radios' programing units have problems using the research because of the content and timeliness.

Audience research

Both Radios have audience research departments with separate directors, which costs each Radio approximately $440,000 a year. This includes personnel costs for 10 people each at Radio Free Europe and Radio Liberty and the cost of interviews conducted by private polling firms. In fiscal year 1975, Radio Free Europe issued 27 audience research reports and Radio Liberty 133.

Over the years each Radio has built up its own methods of audience research. Radio Liberty's audience research and program evaluation staff developed its own intensive techniques, relying mainly on indepth interviews conducted by staff members with citizens of the audience countries who travel in Western Europe. Radio Free Europe's audience and public opinion research enjoys a broader sample and commissions independent polling institutes in Austria, Denmark, France, Sweden, and the United Kingdom to conduct interviews.

Administration

Although administrative support services and personnel have been combined, certain functions are not uniform or compatible, including:

--Separate accounting practices (cash versus accrued method of accounting, maintaining records in Munich in deutsche marks versus dollars, fully computerized versus limited computerized accounting systems).

--Different procurement and internal control policies.

--Different inventory valuation and control procedures.

CONCLUSIONS AND RECOMMENDATION

Now that the Radios are in the same building, we believe opportunities exist for further consolidations and improvements in operations.

We, therefore, recommend that the Board for International Broadcasting encourage Radio management to consider consolidating of the newsrooms, to streamline monitoring, and to establish single administrative control over dual operating units.

We believe the unification of the Radios into a single operating unit would make their operations more economical and efficient.

AGENCY COMMENTS

Radio management has ongoing studies on consolidating the news operations and advised the Board in April 1976 that the studies would be completed in May. The studies are expected to make recommendations for changes in operations to take place in the summer of 1976.

The Board and Radio management believe that the monitoring of East European and Soviets radios is the most effective channel for Radio programers and researchers to maintain familiarity with their audiences. However, some further economies may emerge from natural attrition.

Radio management is taking steps to relate research output with program operations more closely. The Radios will give consideration to possible consolidation of the two audience research units after completion of outside experts' studies of the units.

CHAPTER 8

LEGISLATION TO DEAL WITH EFFECTS OF FOREIGN EXCHANGE RATE FLUCTUATIONS

There is a need for a more orderly system to assure the Radios that they will be able to carry out their approved programs protected against unfavorable wide fluctuations in currency rates, while at the same time not gaining a windfall from favorable currency rates.

FLUCTUATION PROBLEM

About 84 percent of Radio expenditures are made in foreign currencies, principally the German mark, the Spanish peseta, and the Portuguese escudo. Most of the expenditures are for salaries and related personnel expenses, such as housing. In addition, electric power for transmitter facilities, repairs and maintenance, rent and utilities, and lease of transmission lines are payable in foreign currencies. About 73 percent of the foreign currency expenditures are in marks.

The dollar devaluations in December 1971 and February 1973 created problems for the Radios because of the severe loss of purchasing power. Since February 1973, the wide fluctuations of the mark to the dollar under the floating exchange rate system have continued to cause problems for the Radios but not nearly as serious as the devaluations.

In view of the problems, we wrote to the Chairman, Subcommittee on State, Justice, Commerce, and the Judiciary, House Committee on Appropriations, in April 1975 outlining a proposal for a $5 million contingency fund, to be managed by the Office of Management and Budget, which would be available to provide financial stability to the Radios. The purpose of the proposal was to assure the Radios that they could proceed to operate at an approved program level without being penalized should the dollar depreciate against the German mark and other foreign currencies and without gaining an advantage should the value of the dollar increase.

The House International Relations Committee favorably considered our proposal during the first session of the 94th Congress; however, during the course of congressional deliberations, the provision was not included in the legislation ultimately passed.

In March 1976, we restated the proposal in letters to the Chairmen, Subcommittee on International Political and Military Affairs, House International Relations Committee, and the Senate Foreign Relations Committee.

The proposal would work both ways; i.e., compensate the Radios when dollar valuations are less than the basis upon which budgets had been presented or reduce the funding to the Radios when the strength of the dollar is such that they would otherwise receive a windfall. For example, the fiscal year 1975 Radio budget was based on an exchange rate of 2.60 German marks to the dollar. The exchange rate for the purchase of marks in 1975 averaged 2.44 marks to the dollar. We estimated the Radios had a shortfall of about $2.4 million. Under the proposal, the shortfall would be granted to the Radios from the contingency fund. On the other hand, the budget for fiscal year 1976 was based on a rate of 2.53 marks. The exchange rate for marks purchased in the first 9 months of 1976 averaged 2.61 marks to the dollar. We estimate that the Radios will have a windfall of about $1.2 million due to the favorable rate of exchange. Under the proposal, the Office of Management and Budget would withhold such windfalls.

We were advised by the Director, Office of Management and Budget, that he was concerned about the precedent such a fund would establish and that other departments and agencies which have sizable operations abroad would want the same authority. Also, he believes that sufficient authority exists to cover devaluation losses under section 6(a) of the Board for International Broadcasting Act of 1973, as amended, relating to nondiscretionary costs which allows the Board to request a supplemental appropriation without requesting further approval of the authorizing Committees of Congress.

We believe it would be difficult and impractical for the Board for International Broadcasting to anticipate the change in foreign currency rates during the last 6 months of a fiscal year in order to request a supplemental appropriation. Another problem is the time-consuming process sometimes required to secure a supplemental appropriation which is often enacted in the latter part of the fiscal year. There also is no assurance that the supplemental request would be approved.

We feel that significant fluctuations in foreign currency rates will continue into the foreseeable future and that, consequently, there still remains a continuing need for a contingency fund.

ACTION TAKEN BY THE CONGRESS

In response to our proposal, both the Senate and House in March 1976 adopted authorizing legislation along the lines we suggested by amending section 8(a) of the Board for International Broadcasting Act of 1973. However, appropriations to implement the authorizing legislation had not been made at the time of this report.

APPENDIX I

BOARD FOR INTERNATIONAL BROADCASTING
United States of America

Suite 430
1030 Fifteenth Street, N.W.
Washington, DC 20005
202/254-8040

May 4, 1976

Mr. J. Kenneth Fasick
Director, International Division
General Accounting Office
Washington, D. C. 20548

Dear Mr. Fasick,

At its meeting April 14-15, 1976, the Board for International Broadcasting discussed the principal conclusions and recommendations of your draft report, "Suggestions to Improve Management of Radio Free Europe/Radio Liberty."

The meeting was attended by the five Presidentially-appointed members of the Board for International Broadcasting; by the President of Radio Free Europe/Radio Liberty, who is an ex officio member of the Board, and the Executive Vice President for U.S. operations; by the chairmen of the corporate boards of Free Europe, Inc. and the Radio Liberty Committee; and by the executive staff of the Board for International Broadcasting.

The April 14-15 meeting agreed or a number of decisions enabling us to make this coordinated response to your letter of March 12. In some cases, actions were decided upon to implement your recommendations as soon as feasible. In other cases, decisions were taken in principle to pursue the general thrust of your recommendations, subject to detailed review of the modalities at future Board meetings. In several cases, the Board resolved on further study of the issues involved, with a view toward making a more definitive judgment -- and reporting accordingly to the Senate Foreign Relations Committee, which has requested such a report -- before the end of the current fiscal year.

We have been impressed by the care with which the staff of the General Accounting Office accomplished this complex assignment. We believe your report will be helpful in clarifying and attempting to resolve important problems.

GAO note: Page number references may not correspond to the pages of this report.

Here, chapter by chapter, are our comments on your conclusions and recommendations:

Chapter 2 (pp. 13-14): The Board at its April 14-15 meeting discussed your recommendation that formal written regulations be developed, including a definitive basic agreement, to govern relations between the Board and management. Any such regulations would be supplementary to the basic and identical grant agreements between the Board, on the one hand, and Free Europe, Inc. and the Radio Liberty Committee, Inc., on the other hand, first established in 1974 and renewed annually. We enclose a copy of the current agreement, which we believe should be mentioned on page 5 of your report and might usefully be published as an appendix.

The Board believes that it will be better able to formulate more detailed regulations after all concerned have had an opportunity to observe the efficacy of several new procedures agreed at the April meeting, and designed to improve communication among Board members, Board staff, Radio management, corporate directors or trustees, and Radio staff. A system of regular written reports from Radio management to the Board is being instituted. This will consist of weekly highlight reports on all principal areas of Radio activity, as well as special, more detailed progress reports on key issues. Prepared under the supervision of the RFE/RL Director of Corporate Affairs, who has been assigned responsibility for liaison with the Board, these reports will be submitted to the Board's Executive Director and transmitted by him to Board members with appropriate comments.

It is also understood that the chairmen of Free Europe, Inc. and the Radio Liberty Committee, Inc. will recommend to their fellow directors and trustees that the Chairman and Executive Director of the Board for International Broadcasting be invited to attend corporate board meetings as observers, as the corporate chairmen have been and will continue to be invited to the meetings of the Board for International Broadcasting.

The new procedures, and the question of further regulations, will be reviewed at the next Board meeting, which has been scheduled for June 23-24.

In accordance with your recommendation, the Board has approved the engagement by management of a certified public-accounting firm, Arthur Andersen & Co., to conduct future annual audits and to design a financial management system. The contract for these services will subsequently be assumed by the Board, to which the auditors will be responsible. We

expect that the new financial management system will lead to unification of the incompatible administrative practices enumerated on page 84 of your draft report.

The Board also approved in principle your recommendation to hold annual program and budget reviews. We hope at the next Board meeting to begin planning with Radio management for the first of such reviews.

Chapter 3 (page 18, pp. 31-32): In accord with your recommendation, the Board approved in principle Radio management's intention to establish a single corporation, with a single board of directors, to absorb Free Europe, Inc. and Radio Liberty Committee, Inc. Detailed proposals from management will be discussed by the corporate boards and reviewed by the Board for International Broadcasting. The Board and Radio management are in full agreement that establishment of a single corporation will greatly facilitate the endeavor (discussed below) to establish uniform compensation and benefit scales. It is expected that a single corporation can be formed before the end of the current fiscal year.

The transfer of major program operations to the United States is the most far-reaching question you have raised. After considerable discussion at the April 14-15 meeting, it was agreed to study the question in greater depth, along two lines. Operationally, Radio management will pursue its current study of three possible variants:

(1) transfer of major program headquarters to the United States, with satellite program centers in Europe;

(2) transfer of certain service units;

(3) transfer of programmers responsible for material on areas outside Eastern Europe and the Soviet Union, with programmers dealing with these areas to remain in Munich.

It was agreed, however, that while management should vigorously explore these options, as well as the potential effects on the audience, it is the duty of the Board for International Broadcasting, with appropriate foreign-policy guidance from the Department of State, to address the political and psychological aspects of a transfer of program headquarters from Munich to the United States. In so doing, the Board must address not only the considerations mentioned in your report, but larger issues of national policy, such as the effect a transfer might have on the foreign relations of the United States.

The Board hopes it will be in a position to address these issues in the report requested by the Senate Foreign

Relations Committee; it will, of course, make its views known at the same time to the other appropriate committees.

Chapter 4 (page 42): As your report indicates, a management study of programming priorities and resource allocations has been under way since November 1975. The first results of this review are evident in the assignment of transmitters for the summer 1976 broadcasting schedule, which begins May 2. Although handicapped by inability thus far to use all transmitters interchangeably to Eastern Europe and the U.S.S.R., the summer schedule makes effective use of the limited interchangeability afforded by transmitter sites in the Federal Republic of Germany. Three North Caucasian languages have been dropped from the schedule (Avar, Chechen-Ingush and Ossetin). Repeat programming has been reduced sharply in many languages. In almost all cases, each language will be broadcast on more than one frequency simultaneously, thus improving the chances of audible reception.

The Board and Radio management agree that the schedule changes effective May 2 are only the beginning of an ongoing process of review. The new transmitters funded in the FY 1976 appropriation, which will be installed in the course of the the next 18 months, will enable greater concentration on priority areas.

While Radio management is committed to continued study and revision of technical schedules, it was agreed at the April 14-15 meeting that management's task would be facilitated by a statement defining the mission and objectives of the Radios and outlining relative priorities. It was agreed that the Board should prepare such a statement in consultation with the Department of State.

Chapter 5 (pp. 49-51): The Board intends, with the cooperation of Radio management, to examine the questions raised on page 50 and to address them in its annual report to the Congress and the President. It has also been agreed that the Board will pursue your recommendation with regard to the principle of sharing facilities with the Voice of America over and above a contingency basis. However, because it appears that neither VOA nor RFE/RL currently possess excess capacity, we believe that in practice the question of sharing will be posed mainly in terms of coordinating future modernization plans.

Chapter 6 (pp. 65-70): Major efforts are underway in nearly all the areas mentioned to unify and rationalize current practices. These efforts, undertaken by Radio management with the Board's full approval, will result in significant changes before the end of the year:

Working Conditions: Uniform working conditions for employees of both Radios are being negotiated with the German unions and works councils. It is hoped that these negotiations will be completed satisfactorily before the end of the fiscal year.

Pension Plans: A consolidated pension plan covering employees in the United States will be installed effective July 1, 1976. A consolidated plan for the employees in Germany has been prepared and is being negotiated with representatives of the unions and works councils; it is hoped that a common plan can be adopted and made effective by the beginning of Fiscal Year 1977.

Group Insurance: Consolidated group insurance plans have been developed for employees in both the United States and Germany. The scheduled completion date for the consolidated U.S. plan is May 1, 1976; the target date for the uniform program for employees in Europe is July 1, 1976.

Other Benefits: Studies are being conducted to develop a unified fringe benefit program. It is anticipated that some employees will receive improved benefits, while in other cases the benefits will not be as generous; it should be noted that reductions in benefits must be negotiated with the unions and works councils.

Personnel Compensation: Effective April 1, 1976, the Radio Free Europe German scale, the Radio Liberty German scale, and the Radio Free Europe German supervisor scale have been combined into one single scale.

Radio management has completed studies of the possible unification of the Radio Liberty headquarters scale and the Radio Free Europe executive scale. After a re-evaluation of RFE positions, they could be slotted into the RL headquarters scale, which is patterned after the U.S. Government's General Schedule. Another study contemplates slotting both the RL headquarters and the RFE executive scale into a scale identical to the General Schedule.

Radio management intends to move in the direction of abolishing favorable currency-conversion rates and company housing. However, because these benefits have been embedded in collective bargaining agreements with the unions and works councils, the assent of these employee representatives will be required to modify, phase out or abolish such long-existing practices. Regular progress reports will be made to the Board in the coming months. It is hoped that further study and discussion with employee representatives may make it possible for the Board to report substantive progress by the end of the fiscal year.

With regard to the apparent high level of compensation of some Radio employees in Germany, the Board indicated its concern with the problem to the new Radio management in July 1975. In addition to internal studies and the analysis of your findings, Radio management is in the process of engaging consultants specializing in domestic and international compensation to conduct a comprehensive comparability study. The study will compare the salaries, fringe benefits, perquisites and working conditions of RFE/RL employees in Germany with those of U.S. Government employees in the area and with those being paid by other U.S. corporations with employees in Germany. The consultants will be asked to make appropriate recommendations to management in the event the study indicates that compensation levels, in whole or in part, are significantly in excess of those for U.S. Government employees and/or employees of U.S. corporations operating in Germany. As the problems of overall compensation, favorable exchange rates and unification of salary scales are closely linked, the internal studies completed by management will be turned over to the consulting firm for review before implementation.

The Board is discussing with the Office of Management and Budget and the Department of State the preparation of appropriate comparative data to assist its own reports to the Congress on this problem.

Chapter 7 (pp. 76, 81-85): Radio management stated to the Board at the April 14-15 meeting its intention to complete, early in May, its ongoing studies of consolidation of news, and to make recommendations for such consolidation to take effect this summer.

Monitoring of East European and Soviet radios is the most effective channel through which the Radios' programmers and researchers maintain familiarity with their audiences. The full value of adequate monitoring staff is most evident in crisis situations, as in Czechoslovakia in 1968-69 and Poland in the winter of 1970-71. Although some further economies may emerge from natural attrition, it should be noted that monitoring staff has already been reduced by almost 40 percent since June 1969.

In contrast to news, the case for establishing single administrative control over program research and analysis is not clear. It should be noted that the two directors of program research are not merely administrators; both are working researchers of international stature. Management is taking steps to mesh research output more closely with program operations, and to maximize contact between researchers and programmers. Greater research attention is also being encouraged toward area-wide events and developments.

Consideration will be given to possible consolidation of the two audience research units, although differing audience samples have led to differing methodologies and techniques. Management has commissioned a team of outside experts to study both audience research operations and report back later this year.

Chapter 8 (page 89): As you know, your proposal has been incorporated in authorizing legislation for FY 1977 passed separately by the House and Senate. Although the Administration expressed reservations toward this proposal, the General Accounting Office has contributed to making the Congress more aware of the unique sensitivity of RFE/RL operations to fluctuations in foreign-exchange rates.

In conclusion, we hope that these comments help you in preparing your final report. We believe that the comments themselves indicate the extent to which the Board and Radio management have already benefited from your study.

Sincerely yours,

David M. Abshire
Chairman, Board for International Broadcasting

Sig Mickelson (per tka)
Sig Mickelson
President, Radio Free Europe/ Radio Liberty

Enclosure

Harold E. Anderson
Executive Vice President (USA)
Acting Executive Officer

APPENDIX II

PRINCIPAL OFFICIALS RESPONSIBLE FOR

THE ACTIVITIES DISCUSSED IN THIS REPORT

	Appointed
BOARD FOR INTERNATIONAL BROADCASTING	
David M. Abshire, Chairman	April 1974
Roy D. Kohler	May 1974
John T. Murphy	June 1975
Thomas Henry Quinn	April 1974
John P. Roche	May 1975
Sig Mickelson (ex officio)	July 1975
Walter R. Roberts, Executive Diector	Sept. 1975
RADIO FREE EUROPE/RADIO LIBERTY	
Jacob D. Beam, Chairman, Board of Directors, Free Europe, Inc.	July 1974
John S. Hayes, Chairman, Board of Trustees, Radio Liberty Committee, Inc.	July 1974
Sig Mickelson, President	July 1975
Harold E. Anderson, Executive Vice President (U.S.)	July 1975
Walter K. Scott, Executive Vice President (Europe)	July 1975

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